Previous references.

1910-11
(Gen. Fin.)

File No. 354-10

Serial Nos. 1-3

Later references.

P. 28/12

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. 1-3

Part B. for October 1912

SUBJECT.

Abolition of the aggregate limit of Rs 5000/- on individual Govt Savings Bank deposit

---

From The F. A. Resident. No 5957 dy 11.10.12
States That the Govt of India have no objection to the proposal of the Durbar to withdraw the existing limitations on the amounts of deposits in their Savings banks under certain Conditions
To The First Asst to the Hon'ble the Resident in Mys.
No C 214 dy 29.10.12
Requests that the thanks of the Durbar may be conveyed to Govt of India and states that until the deposits exceed 100 Lakhs, one note in the special form of the Value of 50 lakhs (No 119136) will be kept Separate as Reserve under the Conditions mentioned
No 215 dy 29.10.12. To The Comptroller Forwards C

G. R. S. 58

To the Compeler Mysore Gazette

No C 207 dy 29-10-12

Forwarded for publication in the Mysore Gazette the Notification directing that the annual limit of Rs 2000/- and the aggregate limit of Rs 5000/- prescribed in the Savings Bank Rules published with Notification dy 15th August 06 be abrogated with effect from the date of publication of this Notification in the Gazette and that deposits be received without any limit at 3½% interest as heretofore

G.R.S. 11] 1995-11

GENERAL AND REVENUE SECRETARIAT

(Gen Fin)

NOTES.

File. No. 354-0

FILE HEADING.

Abolition of the aggregate limit of Rs 5000 on individual Govt Savings Bank Deposits.

From

No.	Dated	Received

Diary No.	Enclos.	Spare Copies.	Serial No.

BRIEF ABSTRACT OF LETTER.

NOTES AND ORDERS.

NOTES—First sheet.

GPB—30,000—20-3-06.

G.R.S. 13]

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

To

The Asst Secretary

March 11

The Dewan desire Secretary a draft G O abolishing the existing maximum limit prescribed for Mysore Govt Savings Bank Deposits

The draft may be Submd through the Fin Secretary

LRS

4/2/11

Submitted

Please put up draft Govt

4/3/11

N B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

HPB—35,000—21-4-09.

H Secy 685

G. R. S. 12]
General and Revenue Secretariat.

G.7 File No. 312 of 1910.

Serial No.

Draft Subd for approval

It is assumed that the annual limit of Rs 2000 also is abolished and that the rate of interest will continue as heretofore.

The date from which the order will have effect ~~shall~~ be inserted in the draft.

Hsec (86) 4.2.11

A Copy of the S.B. Rules as put up without abolishing the annual limit. There will be little use in abolishing the effective total deposit limit. The draft proposes both the annual limit of 2000 & the total deposit limit of Rs 5000 & these both abolished. 1st April 11 is being the nearest date after giving one publication has been suggested in the draft as the date from which the new rules may be brought into operation.

H Secy 4.2.11

There are two files in connection with the subject of limits on Savings Banks deposits that I have seen. Please put up those files & any other papers that may be available as soon as practicable.

M 7/2 Bell Secy 5.2.11

NOTE—Contn. sheet.

GPB—50,000—12-8-10

G. R. S. 12]
General and Revenue Secretariat.

Gen Fin File No. 312 of 1910-11

635

Serial No.

Subject

The two files referred to by the Financial Secretary on the previous page are the following:

(1) G.F. 280-04 Sl 38 ℞.

(2) G.F. 402-06 Sl. 1 ℞

There were Subjects in Connection with certain loan papers (loan during the famine of 77, loan of 20 lakhs for Railway Construction in 1882) required by the Financial Secretary. They have not been returned

Rev File No: 100 of 1899-00 relating to the question of the annual limit of Rs 5000 is put up.

Hd Q (96)
9-2-11
Mnk-4

HSecy)

9.2.11

The draft called for by the Dewan is herewith submitted with the following remarks

(a) From the papers in File No 402 of 1906 placed below it is clear that in 1907 the sanction of the Govt of India was considered necessary to any change of the nature contemplated. vide concluding portion of para 5 of letter to the Residency dated 30.3.07.

(b) If deposits without limit are received I would advise Government to revise the portion of the deposits to be kept in liquid investments from $\frac{1}{2}$ to $\frac{2}{3}$. In his decennial review

NOTE— Contn. sheet.

GPB—50,000—12-8-10

Serial No.

Para 87.

of the finances[x] Mr. Basu advised that the fraction should be $\frac{2}{3}$rds. In this order on that review Govt. said that it might be $\frac{1}{2}$. With unlimited deposits payable at call spread over all District and Taluk treasuries of the Province, I venture to think that two-thirds of the deposits should be reserved in the way suggested.

To illustrate the above remarks: We have now 68 lakhs deposit and of this we can utilize 34 lakhs temporarily for highly productive public works. If individual deposit limits are done away with and 34 lakhs more deposits flow in there would be 102 lakhs of which one-third viz. 34 lakhs can be utilized. The amount available for public works will not be increased by this means but we shall have 34 lakhs more of deposits in hand and the actual sale of securities in the market for carrying out public works will be avoided to that extent. (vide ways & means note in connection with the proposed Cauvery Reservoir dated 31. 1. 1910)

10/2/11

Dewan)

[x] This question of postponement is at this date premature.
11 Feb 11

Rec'd 8 PM 10/2/11

NOTE—Contn. sheet.

GPB—50,000—12-8-10

Dewan's note

Serial No.

Dewan's Note.

To Council.

If the measure and the proposed draft be approved the Residency will be communicated with.

The Financial Secretary's Ways and Means Note dated 31st January cited at the end of the foregoing Note is (I believe) in circulation to Council after submission to H. H. the Maharaja on the eve of his starting for Bombay.

That Note was drawn up for consideration in the event of the 1st stage of the proposed Kaveri Reservoir project being sanctioned. It showed that the project could be financed without direct borrowing but with some difficulty, if the expenditure (estimated at ₹ 83½ lacs but taken for financial purposes at ₹ 86 lacs) were spread over three years. It showed also that such financing would be very much facilitated if the existing limitations on Savings Bank deposits were abolished and the state of things between 1899 and 1907 restored. If this last mentioned measure is to be adopted, the present season is most favourable as it is the harvest season and people would be flush of money.

It seems to me that the measure may be adopted with advantage. It would take a little time before the level of deposits rises to its utmost limits. It would be useful even if the 1st stage of the Kaveri project were not started, for, in that case, the money can be utilized on other

Public

GPB —50,000—17-3-07

Serial No.

Public Works, or given out as loans for relief of encumbered estates for land improvements &c, &c, at a higher rate of interest than Government would pay on Savings Bank Deposits, and therefore with a little profit.

The drafts may be approved.

11 Feb 11

To 2d Counsellor in the Finance Secretariat - Athens

I see no serious objection to the removal of the limits personally. What the reserve required should be may be determined later on. But it must be remembered that if we keep the reserve without investing it in some paying form, the interest on the sum (which would be considerable) would be a burden on the State resources with little or no compensating advantage. It seems to me however that we

NOTE—Contn sheet.

Serial No.

may safely keep it in-
vested in the G. I. Securities,
on which money can be
easily enough raised in
the Market if there should
be a sudden call on the Trea-
sury

After what took place
on the previous occasion
when the proposal was placed
before the Residency & with-
drawn on Mr. Majumdar's
advice, I expect that there
will be some difficulty in
bringing the Residency to a-
gree to this course. We shall
have clearly to show that
we can readily utilise
the Surplus Collected on
some definite project. I
am not sure of any of

GPB—50,000—17-3-07

R. S. 12]
General and Revenue Secretariat.

File No. of 190

Serial No.

our projects are sufficiently advanced for the purpose and so as to require borrowed money this year.

Whatever may be said theoretically, I think that this plan would materially help us to raise a loan of a considerable sum within the State X People who have deposited savings will find it much easier and will be more ready than others to convert these deposits into loans on a somewhat higher rate of interest.

(X which in itself is a very desirable object.)

11/2/11

To The Accountant for the favour of his opinion being recorded & the file transmitted direct (registered in post office) D Bonikos 11/2/11

NOTE—Contn. sheet.

GPB—50,000—17-3-07

Serial No.

I entertain some misgivings regarding the effect of the proposed abrogation of all limits to Savings Bank deposits. The question is, will it attract such a large increase in deposits as can be converted into a loan for the execution of highly remunerative public works? The circumstances in 1899 were different. That dread scourge, the plague had put in its appearance, the social and commercial life of the people had become disorganized, people were fleeing from their homes, credit had come to a stand still - and people did not know where to put their valuables & hard cash.

NOTE—Contn sheet.

GPB—50,000—17-3-07

Serial No.

Government came to their rescue and abolished the limit to individual aggregate deposits. This met a real public want and money flowed into the Savings Bank though not to the extent anticipated by Government. Mr Majumdar calculates in his note of 12th July 1907 that the annual contributions to deposits on account on the withdrawal of all restrictions did not exceed 3.×44 lakhs. Under the most favorable circumstances we cannot expect a larger addition to the deposits. The investor can now get better return for his money in various ways. Plague has lost its terrors. Credit has resume

× in a period of 8 years

NOTE— Contn. sheet.

GPB—50,000—12-8-10

Serial No.

its normal tone 8 or 10 percent can be easily so on good security. It seems to me therefore that by the withdrawal of the restrictions large deposits will not be attracted to the Savings Banks As pointed out by Sir Majum the character of the Savings Bank will be entirely chan into a Government Bank for the receipt of unlimited deposits. What was intended as an incentive to thrift to poor people will be convert into a means of inducing rich people to deposit all their spare money, bearing interest at 3 1/8 % and payab at call. In these days of increased Commercial activit money is in greater circulati and people cannot afford

GPB—50,000—12-8-10

Serial No.

to lock up their spare cash in Savings Bank for an indefinite time. The only inducement to resort to the Savings Bank is that the money would be available at call - Government will be obliged to keep ⅔ of the deposits in liquid investments to be able to meet the demand at call

From the above remarks it will be seen that there appear to be fundamental objections to the Concession proposed - If there is no financial unsoundness in the scheme, I shall have no objection to the withdrawal of the restrictions as a tentative measure and watching its effect.

B. Kittanmayhett
Chellakere 1st Councillor
12 Feb

GPB—50,000—12-8-10

14 11

Under the instructions
contained in Mrs. Campbell's
DO that has been
circulated to Commissioners,
it is necessary for the
Municipality only to send
these papers to the Regt
attached to Bombay -
The files may be returned
to me here at Bangalore

11 Feb 41

To address
The Private Secretary to H.E.
The Governor of Bombay

Siddicks Palace,
Nepean Sea Road, Bombay -

for I Commissioner's opinion, please see below.

D. O. No. Fr 2089

GOVERNMENT OF MYSORE

10 P.M.

Challakere
12 Feb 24

My dear Sir

I received the
telegram saying
Bank deposits
this evening here
I have received
my opium and
despatched it to

Bombay as desired.
by you I beg
enclose copy of
note for your info
action

Show to the
Secretary
14 Feb 17

Seen 15/2/17

D. O. No. 7-2230

D.O. No. 283
Enc 1 file
I C/ please
Resy & Dewan
17/3/11

The Palace, Mysore,
16th March 1911.

My dear Sir,

His Highness approves of the draft Government order proposed to be issued removing, as a tentative measure, the limit imposed on Savings Banks Deposits. He thinks however that the Residency should be consulted before the draft order is issued and will be obliged if you will take the necessary action in the matter. The file on the subject is herewith returned.

Yours sincerely,

T.Ananda Row Esq.,C.I.E.,
Dewan of Mysore, Mysore.

File No.

Serial No.

No.

Secret

~~To~~

My dear Sir,

In connection with the question of financing ~~the~~ a certain Cauvery Reservoir Project, which the Durbar have now under consideration, a suggestion has been made that deposits in the Mysore Govt Savings Banks may be allowed ~~accepted~~ without limit. The existing rule is that no person may deposit more than Rs 2000 during one official year, and that no account should at

over.

Submitted with redft

Ans
19/3/11 The redraft with the Dewan. Keep the file with office
ker
19/3/11

SUBJECT.

any time exceed Rs 5000. If the amount at the credit of an account is in excess of Rs 5000, no interest is allowed for the excess

2. These limits were once before removed, in the year 1899, with the result that the total amount of deposits which stood at less than Rs 38¼ lakhs at the end of June 1899 rose to over 95 lakhs on the 31st Decr 1905. In the then financial condition of the State it was felt that the old limits were re-imposed upon the close of these loan transactions in the year 1906, as it was felt that in the then financial condition of the State, it was undesirable to have a liability for an unlimited amount payable at call. At the end of the year 1906-07 the total amount of deposits fell to less than 70 lakhs, and now it stands at about 68 lakhs

This facilitated the borrowing of 120 lacs of Rupees in 1906 for the 3rd Allocation of the Capital Expenditure Scheme. The whole of that amount being ultimately found from savings in Revenue, created by retrenchments

3. A proposal to cancel these limits again, was made with a view to raise the capital required for certain railway projects, was made in the Durbar's letter No. 858 Pol. of 30th March 1907, but the subject was dropped for the time being

List of enclosures,

As a result of the loan transactions and consequent reductions

Copied by

Examined by

GPB—20,000—12-8-10

G.R.S. 27]

GENERAL AND REVENUE SECRETARIAT.

(*Continuation Sheet draft form.*)

of the arguments urged against the proposal by the then Comptroller Mr A. L. Majumdar in his memorandum, a copy of which was sent to the Residency with the Durbar letter No. Pol. 220 of the 4th Sept. 1907.

3. The present proposal is to once more cancel the existing limit. It may be that the deficits may not rise as quickly or to so high a pitch as they did or the provisions mentioned – but it is desired that the measure should be tried at all events as a tentative measure as part of a scheme for financing the larger public works the Durbar contemplates hereafter.

5. The estimated cost of the Cauvery Reservoir Scheme, i.e., of the first stage of the project has been taken at 86 lakhs. If the project is finally sanctioned and undertaken, it is proposed to meet the cost in the manner indicated below

6. The statement of assets and liabilities submitted by the Comptr, shows that the net balance on the 1st July 1910 is 109 lakhs. Reserving a sum of 75 lakhs as the minimum balance required at the beginning of the

official year, there is a balance of 34 lakhs available for investment being utilised for the project. The balance of 52 lakhs required has to be found by borrowing. The Comptroller suggests that this may be done indirectly by utilising portions of the funds at the disposal of Govt under certain Debt Heads. He is of opinion that 34 lakhs may be taken from S.B. deposits, the total of which is 68 lakhs, that 11 lakhs may come out of the State Life Insurance fund which is expected to stand at 22 lakhs on the 1st July 1911, and that the remaining 7 lakhs may be taken from the Cauvery Power Scheme Depreciation Fund which amounts to 20 lakhs. It is considered that it will be perfectly safe to utilise these amounts which do not are 50% in the case of the first two funds, and 35% in the case of the last fund, and leave a more than sufficient balance to meet any sudden unexpected run on the funds.

7. As the cash balance in July 1911 after making all due allowance for the needs of the State & for maintaining the Minimum Cash balance necessary to meet more needs an appreciable portion of the Govt balance can be made available also. ~~So that with all this~~ By a prudent management of the funds in the hands of Govt it is hoped that one or other of the Public Works desired can be financed without ~~Loans~~ Govt securities the drain on Govt securities when Govt paper is selling at a

G.R.S. 27]

GENERAL AND REVENUE SECRETARIAT.

(*Continuation Sheet draft form.*)

His comment-

is expected to be only 93 lakhs, it is estimated that, allowing for the normal increases under debt heads to the extent of 10 lakhs a year, it will be necessary for the State for financing the Scheme itself ~~at~~ ~~last~~ securities to the extent of 20 lakhs in the year 1912-13 and 18 lakhs during 1913-14. ~~The Comptr~~

The Comptroller, in his note on the subject says: "We ~~have~~ can avoid the sale of securities referred to ~~in the above~~ --- either wholly or to a considerable extent if, by a relaxation of the limit of individual Savings Bank Deposits, the balance of such deposits be raised. This financial experiment was resorted to in the State in the past with success, and I would suggest that it may be adopted again when large public works are undertaken."

With the above explanation it is hoped that it will be seen that the present proposal will ~~is~~ not ~~to any~~ practically

MGCPB—30,000—5-4-05.

affect the ability of the State to meet its liabilities and obligations. - Not more than half the amount of Savings Bank Deposits ~~at~~ at any given time ~~on the 1st July 1911 is proposed to~~ will be utilised in the Provinces and any increase in the Deposits in consequence of the proposed abolition of the existing maximum limits that may be ~~invested~~ employed ~~in~~ on the project will be represented by a corresponding amount of fixt securities. that would otherwise have to be sold. that is to say as the increase in the Savings Bank deposits on account of the limit being removed will practically have been invested in fixt papers, and will thus be always available in a readily realisable form. ^

To. There are indications of there being a some money available in the State for safe investment, and it is anticipated that the proposed removal of the limits for Savings Bank Deposits ~~may~~ result in ~~an~~ about addition ~~of from 30 to 40 lakhs~~ to these deposits in the course of the next three or four years. ~~If this anticipation is realised it will~~ But as it will thus be a matter for satisfaction

We may hence a care that N.B

If necessary a portion of the Savings Bank deposits may be converted into Fixed deposits or Note Reserves

~~If~~ Good use can be found for the Savings Bank deposits in the Public works also referred to ~~above~~ in advancing for Land Improvement & Relief of Encumbered Estates. - ~~And if~~ Or the existing limits for Savings Bank deposits

G.R.S. 27]

GENERAL AND REVENUE SECRETARIAT.

(*Continuation Sheet draft form.*)

~~as explained above~~, not only obviate the necessity for the sale, probably at a loss, of Govt paper for financing ~~the Cauvery Reservoir~~ any large project like the Cauvery Reservoir Project, or one of the Railway Projects which the Durbar have in view, but it will also facilitate the raising of a loan, if necessary for any such project, as these extra deposits can, as was done in connection with the State's ~~4½~~ Four Per Cent Loan of 1906, be easily ~~converted~~ to debenture bonds.

11. In these circumstances I request that the approval of the Govt of India may kindly be obtained to the proposal to remove, as a tentative measure, the existing maximum & minimal and aggregate limits prescribed for Savings Bank Deposits. Early orders are requested as ~~the~~ present season is also favourable for giving effect to the proposal, the ~~people~~ harvest season being just over and the people having plenty of cash in hand.

Yours sincerely

The Hon'ble Lt. Hugh Daly C.S.I., C.I.E.

Can a Cess be imposed - Regarding interest

time it is desired that the measure should be taken above -

Annexed is the draft of the Simple Notification which will be required and the Durbar will be obliged for your opinion & advice in the matter -

MGCPB—30,000—5-1-05.

G.R.S. 26]

Side typed copy Redraft

File No.

Serial No.

Diary No. of letter replied to _____

Mysore

D. O. No. 2052/Ex/1 No. 20th March 1911.

General and Revenue Secretariat

( )

, *the* 190

To

_____

My dear Sir,

_____

Date of issue _____

In connection with the question of financing ~~certain~~ Railway and Cauvery Reservoir Projects which the Durbar have now under consideration, a suggestion has been made that deposits in the Mysore Govt Savings Banks ~~may~~ should be allowed to be made without limit. The existing rule is that no person may deposit more than Rs 2000 during one official year, and that no account should at any time exceed Rs 5000. If

Signed by _____

over.

SUBJECT.

the amount at the credit of an account is in excess of Rs 5000 no interest is allowed for the excess.

23 These limits were once before removed in the year 1899 on account of the Plague with the result that the total amount of deposits which stood at less than Rs 38¼ lakhs at the end of June 1899 rose to over 95 lakhs on the 31st December 1905. This facilitated the State borrowing 20 lakhs of Rupees in 1906 for the 3rd installation of the Cauvery Power Scheme the whole of that amount being obtained from savings Bank deposits converted into State Debentures. The limits were re-imposed upon the close of these loan transactions as it was obviously undesirable that the State should (needlessly) be under liability.

List of enclosures

Copied by

Examined by

GPB—10,000—20-4-06.

G.R.S. 27]

GENERAL AND REVENUE SECRETARIAT.

(*Continuation Sheet draft form.*)

liability to repay large amounts at call. At the end of the year 1906-07 as a result of both loan transactions and reimposition of deposit limits the total amount of deposits fell to less than 70 lakhs, and now it stands at about 68 lakhs.

3 & 4. The present proposal is to once more cancel the existing limits. It may be that the deposits may not rise as quickly or to so high a pitch as they did on the previous occasion above mentioned. But it is desired that the measure should be tried at all events tentatively as part of a scheme for financing the large Public Works the Durbar have in view.

5 The statement of assets and liabilities submitted by the Comptroller shows that after ~~making all due allowances for~~ making all due Allowance for the needs of the State and for maintaining the Minimum Cash balance necessary to meet those needs, an appreciable portion of the Govt balance

MGCPB—30,000—5-4 05.

Govt balance can be made available also. By a judicious manipulation of other Funds in the hands of Govt it is hoped that one or other of the Public Works can be financed without the inconvenience of having to sell Govt securities when Govt paper is ~~selling~~ quoted at a discount. The Comptroller, in his note on the subject says: "We can avoid the sale of securities referred to ..... either wholly or to a considerable extent if, by a relaxation of the limit of individual Savings Bank Deposits, the balance of such deposits be raised. This financial expedient was resorted to in the State in the past with Success, and I would suggest that it may be adopted again when large public works are undertaken

Pt 6 With the above explanation it is hoped that it will be seen that the present proposal will not ~~practically~~ affect the ability of the State to meet its liabilities and obligations We may have a care that not

more

GENERAL AND REVENUE SECRETARIAT.

(*Continuation Sheet draft form.*)

more than half the amount of Savings Bank Deposits at any given time will be utilised for Projects, and any increase in the Deposits in consequence of the proposed addition of the existing maximum limits that may be employed on the project will be represented by a corresponding amount of Government securities, that would otherwise have to be sold. That is to say, all the increase in Savings Bank deposits on account of the limit being removed will practically have been invested in Govt paper, and will thus be always available in a readily realisable form. If necessary a portion of the Savings Bank deposits may be converted into Fixed Deposits or State Debentures.

Q. Good use can be found for the Savings Bank Deposits if not in the Public Works above referred to yet in advancing for Land Improvement and relief of Encumbered estates. Or the existing limits for Savings Bank

MGCPB—30,000—5-4 05.

Deposits can again be reimposed.

7. There are indications of ~~there being some~~ money being available in the State for safe investments, and it is anticipated that the proposed removal of the limits for Savings Bank Deposits may result in a large addition to these deposits in the course of the next three or four years. But as it will thus be a matter for a little time it is desired that the measure should be taken at once. The present season is also favourable for giving effect to the proposal, the harvest season being just over and the people having plenty of cash in hand.

8. Annexed is the draft of the simple notification that will be required and the Durbar will be obliged for your opinion and advice in the matter.

Yours Sincerely

J. Denver 20 March 1911

Rec'd ans 19.3.11.

The Honble Col. Hugh Daly C.S.I. C.I.E.
&c &c

Annexure
Dept. Dft.
28/3

Copy of rough draft

D.O.No. 2052/Fin/

Mysore,

20th March 1911.

My dear Sir,

In connection with the question of financing Railway and Cauvery Reservoir Projects which the Durbar have now under consideration, a suggestion has been made that deposits in the Mysore Government Savings Banks should be allowed to be made without limit.

2. The existing rule is that no person may deposit more than Rs.2,000 during one official year, and that no account should at any time exceed Rs.5,000. If the amount at the credit of an account is in excess of Rs.5,000, no interest is allowed for the excess.

3. These limits were once before removed in the year 1899 on account of the Plague with the result that the total amount of deposits which stood at less than Rs.38¼ lakhs at the end of June 1899 rose to over 95 lakhs on the 31st December 1905. This facilitated the State borrowing 20 lakhs of Rupees in 1906 for the Third installation of the Cauvery Power Scheme the whole of that amount being obtained from Savings Bank deposits converted into State Debentures. The limits were re-imposed upon the close of these loan transactions as it was obviously undesirable that the State should needlessly be under liability to repay large amounts at call. At

At the end of the year 1906-07 as a result of both loan transactions and re-imposition of deposit limits, the total amount of deposits fell to less than 70 lakhs, and now it stands at about 68 lakhs.

4. The present proposal is to once more cancel the existing limits. It may be that the deposits may not rise as quickly or to so high a pitch as they did on the previous occasion above mentioned. But it is desired that the measure should be tried at all event tentatively as part of a scheme for financing the large Public Works the Durbar have in view.

5. The statement of assets and liabilities submitted by the Comptroller shows that after making all due allowance for the needs of the State and for maintaining the minimum cash balance necessary to meet those needs, an appreciable portion of the Government balance can be made available also. By a judicious manipulation of other Funds in the hands of Government it is hoped that one or other of the Public Works can be financed without the inconvenience of having to sell Government securities when Government paper is quoted at a discount. The Comptroller in his note on the subject says:-

"We can avoid the sale of securities referred to either "wholly or to a considerable extent if, by relaxation of the limit "of individual Savings Bank deposits, the balance of such deposits "be raised. This financial expedient was resorted to in the State "in the past with success, and I would suggest that it may be adopted again when large public works are undertaken".

6. With the above explanation it is hoped that it will be seen that the present proposal will not affect the ability of the State to meet its liabilities and obligations. We may have a care that not more than half the amount of Savings Bank deposits at any given time will be utilised for Projects, and any increase in the deposits in consequence of the proposed addition of the existing ~~minimum~~ maximum limits that may be employed on the project will be represented by a corresponding amount of Government securities that would otherwise have to be sold. That is to say, all the increase in Savings Bank deposits on account of the limit being removed will practically have been invested in Government paper and will thus be always available in a readily realisable form. If necessary, a portion of the Savings Bank deposits may be converted into Fixed Deposits or State Debentures.

7. There are indications of money being available in the State for safe investments, and it is anticipated that the proposed removal of the limits for Savings Bank deposits may result in a large addition to these deposits in the course of the next three or four years. But as it will thus be a matter for a little time it is desired that the measure should be taken at once. The present season is also favourable for giving effect to the proposal, the harvest season being just over and the people having plenty of cash in hand.

8. Annexed is the draft of the simple Notification that

will be required and the Durbar will be obliged for your opinion and advice in the matter.

Yours Sincerely

Sd/ T. Anandarao

The Hon'ble

Col. Hugh Daly C.S.I., C.I

Resident in

D. O. No. 7-2240

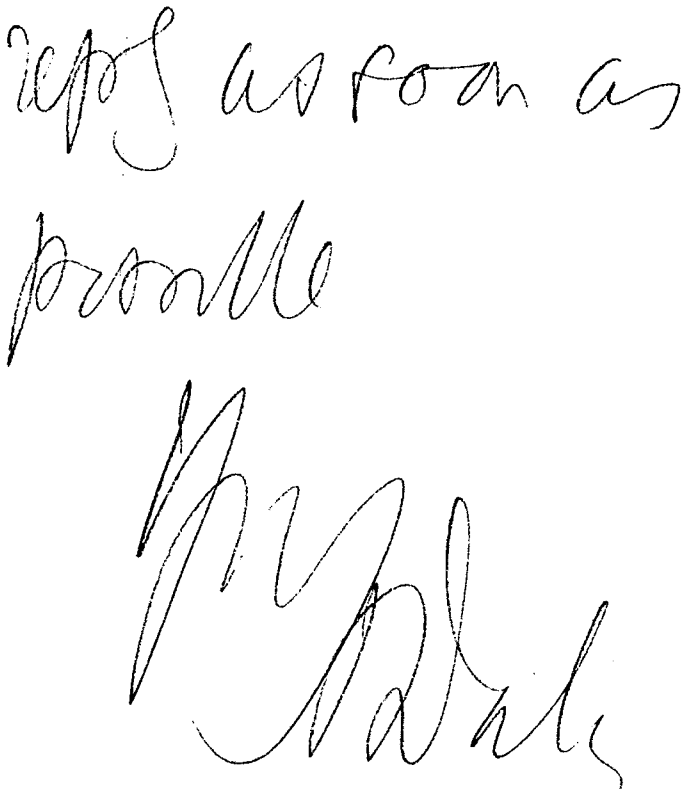
THE RESIDENT MYSORE

BANGALORE.

21st March 1911

My dear Dewan Sahib

Just a line to acknowl-
edge receipt of
your D.O. letter
No. 2052, yesterday,
dated 20th inst.



Subd

This refers to the question of the withdrawal of the Savings Bank deposit limit.

D.O. No. 2312

Mysore Residency,

Bangalore, dated 5th April 1911

D.O. No. 2107.

Dear Dewan Sahib

Please refer to your D.O. letter No.2052, dated the 20th March 1911, in regard to a suggestion that deposits in the Mysore Government Savings Bank should be allowed to be made without limit with a view to financing the proposed Cauvery Reservoir. Colonel Daly is, I regret to say, too unwell to attend to business and has therefore been unable to give the subject his full consideration. He has however desired me to say that the proposal is one which he feels assured will receive the most careful attention on the part of the Durbar not only because it will require ~~the sanction of~~ a previous reference to the Government of India, but also because it represents a departure from the policy which was adopted by the Durbar in 1906 and from the principles which admittedly underlay the Savings Bank system. It must be remembered that the position in 1906 is widely different from the present financial conditions. In 1906 owing to the fact that no limit had been placed on deposits a position had been created whereby the State was liable

liable for a sum considerably in excess of their reserve. The desirability of imposing a limit on deposits was recognized and as a result, a considerable surplus was at the disposal of the Durbar which was utilized for financing the 3rd installation of the Cauvery Power Scheme. The present proposal represents a deliberate attempt to inflate deposits to an extent which will permit of the Durbar to utilize the money for financing a Government project. It is true that the Mysore Government are now in possession of an ample reserve which will cover the liabilities thus incurred. At the same time it seems somewhat doubtful whether it is legitimate to utilize or extend the Savings Bank Rules for purposes for which -- they are not primarily intended. Col. Daly would be -- glad if, on considering the feasibility of financing scheme by more ordinary methods such as the issue of debentures you would favour him with your further views on the subject.

Yours sincerely

P B Wadsworth

T. Ananda Row, Esq., C.I.E.,
Dewan of Mysore.

G.R.S. 13]

Routine Notes

[To be used only for notes, requisitions, etc., not intended for permanent record.]

HHR

There was a file relating to the removal of limits on Savings Bank deposits annual & initial — [There was to be submitted daily recommending removal, & a reply that it could be done by Dept.] Ewart to see the entire file

WS

Please send the file to Mr Chekhanovsky in the form of a draft to Sidney Brown moving them to amend sanctioning the scheme proposed & re-submitting

Sidney Brown Jnr

B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

See

Please see the

GPB—45,000—19-5-08

Dearest wife on her

trip all alone

Richard Feynman

2 June 1512

G.R.S. 13]

Routine Notes.

To be used only for notes, requisitions, etc., not intended for permanent record.]

am sorry I have not
sent up the draft earlier.
in the absence of the letters
of from the Reviewer
relating to the question
of the limits in 1906.

The requisition sent to
the Scott Records for these
papers is still not
returned.

From the printed
Collection of detached
papers, given by Mr
Luxman Rao, I was
able to gather some
information I have
put up the draft
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Yours

N/B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

GPI—25,000—11-11-11

With reference to the Dewan's Order (Flag X), I beg to submit herewith a draft to the Residency regarding the withdrawal of restrictions regarding Savings Bank Deposits. As the last communication from the Residency is a D.O., this draft has also been prepared in a demi-official form.

Enclosure 1 to the draft is a printed copy of my Ways and Means Note dated the 19th April 1912; enclosure 2 is the draft notification attached to the Dewan's D.O. to the Resident, dated the 20th March 1911 (Flag O).

17th July 1912.

vide Lyt. C.L.
Draft D.O. to the Accountant General
19/July 12

D. O. No. 667/Ex 2

Bangalore
27th July 12

My Dear Sir,

Now that the work on the Cauvery Reservoir project is actively progressing, I have to invite reference to the correspondence which took place last year ending with Mr. Warburton's letter No. 2101 dated 5th April 1911, in the matter of removing the maximum annual and aggregate limits of Rs. 2000, and Rs. 5000, imposed on Savings Banks accounts of the State in the year 1906.

2. In the letter referred to above it was observed (1) that the present proposal was a departure from the policy of 1906 (2) that it represented a deliberate attempt to inflate deposits to an extent which will permit the Durbar to utilise the money for the financing of a Government project and (3) that it was doubtful whether it was legitimate to utilize or extend the Savings Banks Rules for purposes for which they were not primarily intended. It was also suggested that the Durbar might consider the feasibility of financing the scheme by more ordinary methods such as the issue of debentures.

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My Dear Sir,

Now that the work on the Canvory Reservoir project is actively progressing we have to invite reference to the correspondence which took place last spring with Mr. Carburton's letter No. 3101 dated 5th April 1911, in the matter of removing the maximum annual and aggregate limits of Rs. 2000 and Rs. 5000 imposed on Savings Bank accounts of the State in the year 1908.

2. In the letter referred to above it was observed (1) that the present proposal was a departure from the policy of 1908 (2) that it represented a deliberate attempt to inflate deposits to an extent which will permit the Durbar to utilise the money for financing the of a Government project and (3) that it was doubtful whether it was legitimate to utilise or extend the Savings Bank Rules for purposes for which they were not primarily intended. It was also suggested that the Durbar might consider the feasibility of financing the scheme by more ordinary methods such as the issue of Debentures.

These three important points have been fully considered by the Durbar and I shall now state their views in respect of each of them. But before doing so a few words of explanation about the financing of the Reservoir schemewill perhaps be useful.

3. The financing of the Reservoir project has to be considered from two distinct points of view. In the first place the subject has to be considered with reference to the financial position and capacity of the State. It has to be found out whether the State has surplus assets in cash and investments debts due to an extent which enables it to undertake the expenditure under consideration without rendering the financial situation unsatisfactory. In the second place it has to be seen as to how the cash required from year to year is to be found. For though the financial situation may be strong enough to enable the State to safely undertake the work, the actual financing may require in any particular year more ready cash than the Government may have in their Treasuries. Under such circumstances

Those three important points have been fully considered by the Burbur and I shall now state their views in respect of each of them. But before doing so a few words of explanation about the financing of the Poorvoir project seem necessary.

3. The financing of the Roosevelt project has to be considered from two distinct points of view. In the first place the subject has to be considered with reference to the financial position and capacity of the State. It has to be found out whether the State has sufficient object available in each case due to an account which enables it to undertake the expenditure under consideration without jeopardising the financial situation unsatisfactory. In the second place it has to be seen as to how the cash required from year to year is to be found. For that is the financial situation may be strong enough to enable the State to safely undertake the work, the actual financing may be in any particular year so ready cash than the revenue out may have in it (it [illegible]. [illegible]

Government may have to take steps to place themselves in possession of more cash e.g. by selling securities, inducing more deposits &c.

4. It may here be explained that the two sides of the question referred to above, which may for convenience be called the resource and the cash aspects respectively, are to a great extent independent of one another. The resource aspect may be very satisfactory but owing to the bulk of the extra ~~cash~~ money with Government being invested, there may be very little cash. On the other hand if all deposits &c in the hands of Government were reduced to cash, the cash aspect would be easy but the resource aspect may transgress the boundary of safety.

5. Now so far as the resource aspect of the question is concerned a reference to the statement of cash assets and liabilities of the State will shew that after making full allowance for all the liabilities of the State there is an extra balance in favour

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State there is an extra policy in favor allowance for all the liability of the State will open that after meeting ful
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9. It may here be explained that the two

of Government to the extent of 131 lakhs. (Vide page 8 of Enclosure I). During the next three or four years this balance would in ordinary course increase by 50 or 60 lakhs. As regards the financial capacity of the State to undertake the work which is estimated to cost about 89 lakhs there need therefore be no apprehension.

6. As regards the cash aspect however, it has to be pointed out that only such part of the balances as is likely to be required for working the treasuries is kept in coin and currency notes and the bulk of the money in excess of ordinary requirements is invested in Government of India Securities. The expenditure of a special sum of 89 lakhs in the course of three years will therefore involve the sale of a considerable amount of these securities if no other means for increasing the amount of cash at the disposal of Government is resorted to. For various reasons the Durbar are unwilling to throw on the market a large amount of the securities of the Government of India. It is to minimise such sale and if

India. It is to minimise such evils and it amount of the securities of the Government o are unwilling to throw on the market a large sorted to. For various reasons the Durpur of cash at the disposal of Government to re- if no other means for increasing the amount of a considerable amount of these securities three years will therefore involve the sale two of a sum of 80 lakhs in the course of in Government of India Securities. The expend- ences of ordinary requirements is invested extreme rates and the bulk of the money in working the transaction to keep in coin and the provinces as is likely to be required for pose to be pointed out that only such part of

8. As regards the cash deficit however, it no apprehension.

cost about 68 lakhs there need therefore be to undertake the work which is sanctioned to As regards the financial capacity of the State in ordinary course increase by 80 or 60 lakhs (Vide page 8 of Appendix I.). During the next three or four years this figure would of Government to the extent of 131 lakhs.

possible to avoid it altogether that the proposal regarding Savings Banks deposit which is now under consideration has been made.

7. The Durbar expect that by removing the restrictions regarding individual Savings Banks Deposits an additional sum of about 20 lakhs will flow into the Government Treasuries during the course of the next 3 or 4 years raising the deposits roughly speaking from say 70 to 90 lakhs. The investments of the State now include Government of India Securities to the extent of 203 lakhs and it will therefore be seen that after allowing for all the liabilities of the State the total deposits will be more than covered by investments in the safest and most liquid form. The money will be useful to Government chiefly as enabling them to minimise or avoid the sale of securities in large quantities within a short time as a matter of necessity.

8. It will be clear from what has been

ought to now under consideration has been made.

The hope exists that by removing the restrictions regarding individual Savings Bank Deposits on additional amounts Treasurer during the course of about 30 lakhs will flow into the Government of India Security to the extent of 203 lakhs and it will therefore be seen that after allowing for all the liquidation of the State the total deposits will be more than covered by investments in the market and cash balances. The bonds will be mostly bond liquid form. The bonds will be mostly to Government only to enabling them to minimise or avoid the ever recurring question in regard to necessity

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large quantities within a short time as a matter of necessity

P.T.O. It will be clear that has been

stated above that from the resources point of view which ~~only~~ alone is really important for financial safety, the increased Savings Banks Deposits are not wanted for being sunk in Public Works. They are wanted only to relieve cash operations for a few years. The whole or an absolutely safe percentage of the Savings Banks Deposits may always be supposed to be held in cash and in the Government of India Securities ~~and~~ included in the invested balance of Government.

9. The ~~principal~~ really important point in the policy of 1906 was that in dealing with Savings Banks Deposits repayable at call it was obligatory on the part of the State to keep an absolutely safe reserve for all possible demands. That condition is now satisfied and will continue to be satisfied ~~even if~~ when the present proposals are carried into effect. It cannot therefore be said that these proposals involve any departure, ~~so~~ as far as financial soundness and safty are concerned, from the policy of 1906.

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commended and early are concerned, from the

involve any departure, so far as financial

not therefore be said that those proposals

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financial safety, the increased Savings

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stated above that from the resources point

to the second objection referred to in para 2 above, for the deposits will not be required except in a very limited sense for financing the work. The work will really be financed from the invested surplus of the State.

11. As regards the third point Viz., the propriety of extending the Savings Banks rules for purposes for which they were not originally intended, I would point out that in the absence of proper facilities for safe deposits of money, real difficulty is felt by a large section of the middle classes in this State in arranging for the custody and investment of their savings. The imposition of limits in 1906 was a source of serious inconvenience to many and the limits are regarded as a grievance by a large number of people. There have been strong representations in the Representative Assembly praying that the limits may be withdrawn. After all even when the rules are altered as now proposed we shall have very little money as deposits which cannot properly be regarded as savings. The only difference will be that besides the saving

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of the poorer classes, a portion of the savings of the middle classes also will come in. In the opinion of the Durbar the middle classes require as much facility for saving as do the poorer classes and to deny them such facility in the present state of the country would be simply driving them to hoarding or to the hands of unsafe village Bankers. The low rate of interest for Savings Banks Deposits is in itself an automatic check on large sums belonging to wealthy persons being deposited in the Savings Banks. It may therefore be said that in withdrawing the limits under the present circumstances of the State there will be no violation to the principles underlying the formation of Savings Banks but only an extension of that principle to a class of people for whom such extension is necessary and desirable.

13. The suggestion about raising a State loan or issuing debentures has been very carefully considered by the Durbar. But it will be clear from what has been stated above that such a course will not be necessary

will be clear from what has been stated above
naturally considered by the Buyer. But it
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necessary and desirable

13. The question about raising a State
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for some years in the present condition of our finances. The Cauvery Reservoir project can be financed from the Government money in hand if suitable arrangements are made to ease the cash arrangements. The Railways and other works can also be financed to a great extent from the receipts from the new reservoir and the annual surplus in our ordinary accounts due to the mining and attendant revenues. If for the latter works the use of a portion of our deposit and debthead bal nce be necessary it will be possible by suitably regulating the programme of expenditure to keep the percentage within absolutely safe limits. The raising of a loan for Public Works cannot therefore be regarded as necessary in our present circumstances.

13. Even if the raising of a loan were found necessary, the attraction of local deposits into the Government Treasuries in the first place and then converting a part of them into a fixed loan on slightly higher interest with the consent of the depositors would be a better way for this State to

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secure the object in view than entering the open market for the following reasons:-

(1) The money would be obtained fr within the State and from the savings of the subjects of the State without the necessity of entering fields operated on by the loan transactions of the Government of India or of the larger local bodies which borrow extensively

(2) There will be no chance of failure in the raising of a loan in this way. If attempt are made to raise money in the market by calling for tenders or in other ways we cannot be so sure of success as by this method

(3) The operations will be carried on quietly from time to time as may be found necessary. The Savings Banks rate of interest being lower than the interest on loans, this will mean substantial saving to Government.

14. I may here mention that the subject of financing the Cauvery Reservoir Scheme and Railway construction during the next seven years has been very carefully studied by the Financial Officer of the State and a printed copy of Mr. Chakravarti's note on the subject is attached hereto for your information -(Encl 1). Mr Chakravarti has shewn that without creating an unsound financial situatio

securing a maximum financial situation [illegible] of

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to attached hereto for your information -(Inc

copy of Mr. Chamberlain's note on the subject

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a large sum as 197 lakhs can be spent by the State on the Cauvery Reservoir and Railway construction during the next seven years. Of course in the case of such a very large programme of expenditure within so short a time there will be some strain on the finances for a time. But the recoupment will be very rapid and with a careful attention to the finances, the situation will be never unsafe. Moreover endeavour will be made to ease the situation by adopting one or more of the means recommended in para 25 of Mr. Chakravarti's note. The present proposal embodies one of these measures which are prepared to adopt the Government of His Highness the Maharaja.

15. For the reasons explained above the Durbar hope that there will be no objection on the part of the Government of India to approve the issue of a Notification on the lines indicated in the draft attached hereto- (Encl. 2).

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on the part of the Government of India to

number made that there will be no objection

15. For the accomplishment aforesaid, the

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D.O.No. 667/En 2

Bangalore,

27th July 1912.

My dear Sir,

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2. In the letter referred to above, it was observed (1) that the present proposal was a departure from the policy of 1906, (2) that it represented a deliberate attempt to inflate deposits to an extent which will permit the Durbar to utilize the money for the financing of a Government project and (3) that it was doubtful whether it was legitimate to utlize or extend the Savings Banks Rules for purposes for which they were not primarily intended. It was also suggested that the Durbar might consider the feasibility of financing the scheme by more ordinary methods, such as the issue of debentures.

These three important points have been fully considered by the Durbar and I shall now state their views in respect of each of them. But before doing so a few words of explanation about the financing of the Reservoir Scheme will perhaps be useful.

3. The financing of the Reservoir Project has to be considered from two distinct points of view. In the first place the subject has to be considered with reference to the financial position and capacity of the State. It has to be found out whether the State has surplus assets in cash investments and debts due to an extent which enables it to undertake the expenditure under consideration without rendering the financial situation unsatisfactory. In the second place it has to be seen as to how the cash required from year to year is to be found. For though the financial situation may be strong enough to enable the State to safely undertake the work, the actual financing may require in any particular year more ready cash than the Government may have in their Treasuries. Under such circumstances Government may have to take steps to place themselves in possession of more cash, e.g., by selling securities, inducing more deposits &c.

4. It may here be explained that the two sides of the question referred to above, which may for convenience be called the resource and the cash aspects respectively, are to a great extent independent of one another. The resource aspect may be very satisfactory but owing to the bulk of the extra money with Government being invested, there may be very little cash. On the other hand, if all deposits &c., in the hands of Government were reduced to cash, the cash aspect would be easy

but the resource aspect may transgress the boundary of safety.

5. Now so far as the resource aspect of the question is concerned, a reference to the statement of cash assets and liabilities of the State will show that after making full allowance for all the liabilities of the State, there is an extra balance in favour of Government to the extent of 131 lakhs. (Vide page 8 of Enclosure I). During the next three or four years this balance would in ordinary course increase by 50 or 60 lakhs. As regards the financial capacity of the State to undertake the work which is estimated to cost about 89 lakhs, there need therefore be no apprehension.

6. As regards the cash aspect however, it has to be pointed out that only such part of the balances as is likely to be required for working the treasuries is kept in coin and currency notes and the bulk of the money in excess of ordinary requirements is invested in Government of India Securities. The expenditure of a special sum of 89 lakhs in the course of three years will therefore involve the sale of a considerable amount of these securities if no other means for increasing the amount of cash at the disposal of Government is resorted to. For various reasons the Durbar are unwilling to throw on the market a large amount of the Securities of the Government of India. It is to minimise such sale and if possible to avoid it altogether, that the proposal regarding Savings Banks

deposit which is now under consideration has been made.

7. The Durbar expect that by removing the restrictions regarding individual Savings Banks Deposits an additional sum of about 20 lakhs will flow into the Government Treasuries during the course of the next 3 or 4 years raising the deposits roughly speaking from say 70 to 90 lakhs. The investments of the State now include Government of India Securities to the extent of 203 lakhs and it will therefore be seen that after allowing for all the liabilities of the State the total deposits will be more than covered by investments in the safest and most liquid form. The money will be useful to Government chiefly as enabling them to minimise or avoid the sale of Securities in large quantities within a short time as a matter of necessity.

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9. The really important ~~policy~~ point in the policy of 1906

was that in dealing with Savings Banks Deposits repayable at call it was obligatory on the part of the State to keep an absolutely safe reserve for all possible demands. That condition is now satisfied and will continue to be satisfied when the present proposals are carried into effect. It cannot therefore be said that these proposals involve any departure, as far as financial soundness and safety are concerned, from the policy of 1906.

10. Nor are the present proposals open to the second objection referred to in para 2 above, for the deposits will not be required except in a very limited sense for financing public works. The work will really be financed from the invested surplus of the State.

11. As regards the third point, viz., the propriety of extending the Savings Banks rules for purposes for which they were not originally intended, I would point out that in the absence of proper facilities for safe deposit of money, real difficulty is felt by a large section of the middle classes in this State in arranging for the custody and investment of their savings. The imposition of limits in 1906 was a source of serious inconvenience to many and the limits are regarded as a grievance by a large number of people. There have been strong representations in the Representative Assembly praying that the limits may be withdrawn. After all even when the rules are altered as now proposed we shall have very little

money as deposits which cannot properly be regarded as savings. The only difference will be that, besides the savings of the poorer classes, a portion of the savings of the middle classes also will come in. In the opinion of the Durbar the middle classes require as much facility for saving as do the poorer classes and to deny them such facility in the present state of the country would be simply driving them to hoarding or to the hands of unsafe village Bankers oftentimes outside the Mysore State. The low rate of interest for Savings Banks Deposits is in itself an automatic check on large sums belonging to wealthy persons being deposited in the Savings Banks. It may therefore be said that in withdrawing the limits under the present circumstances of the State there will be no violation to the principles underlying the formation of Savings Banks but only an extension of that principle to a class of people for whom such extension is necessary and desirable.

12. The suggestion about raising a State loan or issuing debentures has been very carefully considered by the Durbar. But it will be clear from what has been stated above that such a course will not be necessary for some years in the present condition of our finances. The Cauvery Reservoir Project can be financed from the Government money in hand if suitable arrangements are made to ease the cash arrangements. The Railways and other works can also be financed to a great extent from the

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13. Even if the raising of a loan were found necessary, the attraction of local deposits into the Government Treasuries in the first place and then converting a part of them into a fixed loan on slightly higher interest with the consent of the depositors would be a better way for this State to secure the object in view than entering the open market for the following reasons:-

(1) The money would be obtained from within the State and from the gradually accumulated savings of the subjects of the State without the necessity of entering fields operated on by the loan transactions of the Government of India or of the larger local bodies which borrow extensively.

(2) There will be no chance of failure in the raising of a loan in this way. If attempts are made to raise money in the market by calling for tenders or in other ways we cannot be so sure of success as by this method.

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14. I may here mention that the subject of financing the Cauvery Reservoir Scheme and Railway construction during the next seven years has been very carefully studied by the Financial Officer of the State and a printed copy of Mr.Chakravarti's note on the subject is attached hereto for your information - (Enclosure 1). Mr. Chakravarti has shewn that without creating an unsound financial situation, such a large sum as 197 lakhs can be spent by the State on the Cauvery Reservoir and Railway construction during the next seven years. Of course in the case of such a very large programme of expenditure within so short a time there will be some strain on the finances for a time. But the recoupment will be very rapid and with a constant and careful attention to the finances, the situation will be never unsafe. Moreover, if need be, endeavour will be made to ease the situation by adopting one or more of the means recommended in para 25 of Mr. Chakravarti's note. The present proposal embodies one of these measures which the Government of His Highness the Maharaja are prepared to adopt.

15. For the reasons explained above the Durbar hope that there will be no objection on the part of the Government of India to approve of the issue of a notification on

the lines indicated in the draft attached hereto - (Enclosure 2).

Yours Sincerely

Sd) T. Anandarow.

The Hon'ble

Col. Sir Hugh Daly K.C.I.E., C.S.I.,

Resident in Mysore.

Genl. & Rev. Secretariat.

Dated 1912.

N O T I F I C A T I O N.

****

The Government of His Highness the Maharaja of Mysore are pleased to direct that the annual limit of Rs.2,000 and the aggregate limit of Rs.5,000 prescribed in Rule IV of the Savings Bank Rules published under Government Notification No.1510/Gl.Fl.280-04-38 dated 15th August 1906, be abrogated with effect from and that, in future, deposits be received without any limitation as to amount, the rate of interest remaining as heretofore at 3½ per cent per annum.

By order,

Financial Secretary.

Ways and Means Note in respect of the Cauvery Reservoir Project and the Railway programme 1911-12 to 1918-19.

Ways and Means note in respect of the auvery Reservoir Project & the Railway rogramme 1911-12 to 1918-1919.

****

The statement received with the Public Works & Railway Secretary's letter dated 7th March 1912 shows a total expenditure of 197 lakhs spread over a period of eight years beginning with 1911-12 and the amounts required may be considered with reference to the resources of each year.

2. The demand during 1911-12 is on account of the Cauvery Reservoir Project and the amount required is ten lakhs. This expenditure is not provided for in the budget and has been sanctioned as an additional grant. The cash balance anticipated at the close of the current year, according to the Ways and Means Estimate, is 80¼ lakhs; but there is an appreciable improvement in the estimate of the balance to the end of February 1912. Against the expected balance of ~~54~~ 54½ lakhs on 1st March 1912, according to the monthly apportioned budget estimate, the

the actual balance on that date ~~was~~ was 72¾ lakhs. With this improvement, the balance at the end of the year would amount to 98½ lakhs, i,e, 23½ lakhs in excess of the amount required on 1st July 1912 for working the Treasuries. The sum of ten ~~kk~~ lakhs required for the Cauvery Reservoir during 1911-12 can therefore be found from the cash balances. After meeting this demand and also the other additional ~~grants~~ grants of about three-fourths of a lakh sanctioned by Government for various purposes, the balance on 1st July 1912 may be expected to amount to 88 lakhs.

3. Before considering the financing of the instalments of outlay on the two projects in the next seven years, a general calculation may be made of the excess of receipts into the Treasuries over the outgoings therefrom on which we can count in a normal year. The present standard of total revenue is about sufficient to meet the ordinary annual expenditure and to provide for the famine reserve of two lakhs, the Cauvery Power Scheme Loan sinking Fund of 1 $\frac{1}{3}$ lakhs, and the Cauvery Power Scheme depreciation

depreciation fund contribution of about three lakhs. This being the position in respect of the annual budgets, it is not safe to reckon on any revenue surplus out of the existing sources for financing any part of the outlay in question.

4. It is true that, in the years 1909-10 and 1910-11, we had somewhat large surpluses taking all transactions into account - - - 21.01 lakhs in the former year and 24.03 lakhs in the latter. But these surpluses were due entirely to the fortuitous sources of revenue, Viz., mining and power revenue and to the exceptionally favourable seasonal and agricultural conditions which prevailed. The extent to which a surplus like that is liable to be wiped off or even converted into a deficit under

the

the slightest frown of the rain gods, is shewn in the case of the year 1908-09 when, with the advent of somewhat unfavourable seasonal conditions, the budget surplus was entirely wiped out and the greatest endeavours in cutting down expenditure were necessary to secure a balance between the receipts and expenditure sides of our account. Moreover, ther are other heads of expenditure, e, g., Education--- general and technical --- sanitation and industrial development, the demands of which, on whatever surplus we may secure in future years from our existing sources of revenue, cannot be ignored. The best course, therefore

therefore, seems to frame a scheme of financing the Cauvery Works and the Railways from the surplus funds now available and the income likely to accrue from fresh sources. If the seasonal conditions prove more favourable than we have a right to expect and our finances are blessed with a series of surplus years without any reverse, some money may be spared for the works in question and the financial operations made somewhat easier than would otherwise be the case.

5. The extra power revenue due to the Cauvery Reservoir minus the working expenses is, however, a new item which may be taken as available for meeting a part of the capital expenditure on the Reservoir and on railway construction. The additional revenue from this source will begin in 1913-14 and the amounts expected to be received in that and the subsequent years are as follows:--

1913--14 . . . . . 3½ lakhs
1914--15 . . . . . 4¼ lakhs
1915--16 & subsequent years 11 lakhs.

6. The reserve on account of famine cannot, from its nature, be utilised for other purposes. The amount of this reserve at the end of 1911-12 will be 12 lakhs and at the end of 1918-19, the period under consideration, it will amount to 26 lakhs at the present rate of accumulation, viz., two lakhs a year. This represents the cost of maintaining 2 per cent. of the population of the State on famine wages or rations for about four months. It is evidently not desirable to reduce the ready provision for coping with distress below this limit.

But the Famine Reserve may be kept in Government of India or other readily realizable Securities and need not be held in cash; and therefore for the actual purpose of finding the ready money required for the programme, the annual contribution to the Famine Reserve in future years may be used by ear-marking a corresponding amount of the invested Government balance as belonging to the Fund.

7.

7. The Cauvery Power Scheme loan sinking fund is also an ear-marked saving and it is inadvisable to invest it in the two schemes,, especially in view of the fact that the loan falls due for repayment in 1921-22. The redemption of the loan should be provided for from the revenue surplus reserved for the purpose year by year and not from any other money which may be expected to come to the hands of Government; for, this would practically mean the abandonment of the principle of the sinking fund. But, as in the case of the famine reserve, the sinking fund annual contribution may be used for the present purpose by ear-marking a corresponding amount of the invested Government balance.

8. Similar remarks hold good with reference to the Cauvery Power Depreciation Fund, the annual contribution to which may be taken as three lakhs. From the point of view of actual supply of funds, therefore, we may count upon a sum of 6 lakhs (Famine Reserve 2 lakhs, Cauvery Power Scheme Depreciation

Depreciation Fund 3 lakhs, and Cauvery Power Scheme Sinking Fund about a lakh) out of the current revenue of each year being available for financing the two schemes. This will involve, however, six lakhs of the invested Government balance being transferred to these funds each year.

9. The normal course of annual transactions under all debt heads except two, namely, the Insurance Fund and Special Loans are such that the two sides of the account are likely to balance each other without leaving any net result on the receipt side and they may therefore be neglected for the purpose of this note. The net receipt of the Insurance Fund during the last five years was as follows:-

1906--07	1,77,000	
1907--08	1,87,000	
1908-09	1,55,000	
1909--10	2,16,000	
1910-11	1,75,000	(Revised)
1911--12	1,90,000	(Budget)

We may therefore count on a sum of about 2 lakhs being available from this source for

financing the two schemes. The Bikanir Loan is due for repayment from 1912-13 and the annual instalment payable is two lakhs. The principal of the loan being 12 lakhs, we may reckon on a sum of 2 lakhs from " Special Loans " for six years from 1912-13.

10. The net result of the Savings Bank transactions during the ~~fixx~~ past five years was as follows:-

1906--7	5,49,000
1907--8	3.67,000
1908--9	1,76,000
1909--10	3,71,000
1910--11	71,000
1911--12 (Estimate) . . .	1,00,000

Ever since the annual and aggregate limits in respect of individual accounts were imposed, the result has fluctuated very widely from a net addition of 3½ lakhs to a net reduction of 5½ lakhs and on this experience we cannot expect any help from the annual Savings Bank transactions under the existing rules. An assumption that the yearly deposits will be sufficient to meet the yearly

~~withdrawals seems, however,~~

withdrawals seems, however, justifiable for the purposes of this note.

11. The assistance which the current cash balance can render in financing the schemes and the sources from which such assistance is derived will be seen from the subjoined statement.

Years	Famine Reserve	C.P.S. Depreciation Fund	C. P. S. Sinking Fund	Insurance Fund	Bikanir loan	Cauvery Reservoir revenue	TOTAL (Nearest round lakh)
1912-13	2	3	1 1/3	2	2	"	10
1913-14	2	3	1 1/3	2	2	3½	14
1914-15	2	3	1 1/3	2	2	4¼	15
1915-16	2	3	1 1/3	2	2	11	21
1916-17	2	3	1 1/3	2	2	11	21
1917-18	2	3	1 1/3	2	2	11	21
1918-19	2	3	1 1/3	2	"	11	19
1919-20	2	3	1 1/3	2	"	11	19
1920-21	2	3	1 1/3	2	"	11	19
1921-22	2	3		2	"	11	18

12. Starting with a balance of 88 lakhs on 1st July 1912, the subjoined statement shows the extent to which funds will fall short for meeting the annual demand on account of the two projects:-

Years	Excess over the working balance of 75 lakhs	Amount available according to para 11	Total	Amount required	Balance to be made up or excess left at the end of the year.
1912--13	13	10	23	44	-21
1913--14	,,	14	14	40	-26
1914-15	,,	15	15	35	-20
1915--16	,,	21	21	18	3
1916--17	3	21	24	20	4
1917--18	4	21	25	15	10
1918--19	10	19	29	15	14
1919--20	14	19	33	,,	33
1920--21	33	19	52	,,	52
1921--22	52	18	70	,,	70

In respect of the excess figures of the last column, it must be noted that the surplus of one year is brought as excess to the first column of the next year and that the figures are not cumulative.

13. The plain meaning of the above statement is that in order to finance the schemes in the instalments in the way laid down in the Public Works Secretary's statement, we shall have to realize by the sale of securities in our invested balance 21 lakhs during 1912--13, 26 lakhs during 1913--14 and 20 lakhs during 1914--15 i.e, 67 lakhs in all. The statement also shews that

that if all the income expected from the Cauvery Reservoir comes in we shall have as the result of the operations indicated at the end of 1921-22, 70 lakhs over the working ~~bal~~ balance of 75 lakhs. Allowing for the 20 lakhs required in October ~~in October~~ 1921 for the discharge of the Cauvery Power Scheme loan this ~~entire~~ extra amount will really be 50 lakhs. This together with the portion of the invested balance remaining ~~of~~ after the sale of 67 lakhs will only partly cover (as we shall presently see) the liabilities of Government on that date.

14. To find out whether it is safe to dispose of 67 lakhs worth of securities from our invested balance during the next three years, we have to study the appended statement of Cash Assets and Liabilities of the State as it stood on 1st July 1911. It will be seen that the surplus investment account in this statement stands at about 166½ lakhs. As a matter of fact, on this date the securities in the surplus investment account aggregate over 203 lakhs, the increase being due to fresh investments made during the year.

year. But these fresh investments having been made from the cash balance, the increase under surplus investment account of about 37½ lakhs had has been accompanied by a corresponding reduction under cash balance in Treasuries. So that for purposes of financial culation the statement may be taken as it stands without any alterations on account of fresh investments made during 1911-12.

15. Now the Government balance worked out in the statement is 131 lakhs. It is clear under the circumstances that, if Government were to dispose of 67 lakhs worth of paper today, we may hold that the whole of the 67 lakhs is Government surplus. But the Government balance left after the transaction would be 131-67 or 64 lakhs. This would mean that, for working the treasuries for which a sum of 75 lakhs is necessary on the 1st July, Government has to rely for 1 lakhs on balances of deposit funds in its ustody.

16. But there is one important fact to b

borne

borne in mind. It is true that the present balances of any of the deposit funds with Government will not be required to be used for Government purposes by the sale of 67 lakhs worth of securities during the next three years. But we have assumed that annual cash accretions to the balance of Famine Insurance Fund, Cauvery Power Scheme Depreciation Fund and the State Life Insurance Fund to the extent of 2 lakhs, 3 lakhs and 2 lakhs respectively, will be utilized in the works in question each year, securities to a corresponding extent being transferred to the balances of ~~three~~ these funds. This means that the Government balance will become less and less every year to this extent as the liabilities side of the Assets and Liabilities statement will rise without corresponding rise on the assets side.

17. The annual contribution of 1 $\frac{1}{3}$ lakhs referred to in para 11 is not taken into account here because the whole loan of 20 lakhs is treated as a liability in the statement of cash assets and liabilities. The liabilit;

to this sinking fund may be regarded as a liability to increase our cash or invested balance at the rate of 1 $\frac{1}{3}$ lakh a year so as to make the balance strong enough in 1921-22 to repay the loan. This loan is accordingly supposed to be discharged from the cash and invested balances in October 1921 as stated in para 13.

18. Out of a total expenditure of 197 lakhs contemplated 67 lakhs will come by a reduction of Government balance by the sale of Government securities as explained in paras 12 and 13 above. For the remaining 130 lakhs sale of securities will not be necessary but as it will come either from a debt head balance or from Government money it will reduce the Government balance. Not taking into account for the present any addition to Government balance except the annual contribution of about 1 lakh to the Loan Sinking Fund and taking into account the budget deficit of about 3 lakhs in 1911-12 the Government balance at the end of 1921-22 will

therefore be (64 +10- 130 - 3) or - 59 lakhs. This means that Government would have spent 59 lakhs out of the balances of Deposit Funds at its disposal and would have to depend for the whole of its working balance of 75 lakhs on such funds.

19. But the situation will not really be so bad as that for additional revenue will in the meantime be coming in and a part of the expenditure in question will be met out of it. The additional revenue that will come in up to 1921-22 according to the statement in para 11 will be 84 lakhs This will raise the Government balance at the end of 1921-22 from - 59 lakhs to 25 lakhs. This will mean that Government will on that date have money enough to meet all its liabilities but against 75 lakhs required to work the treasuries it will have only 25 lakhs of its own money , the balance of 50 lakhs being found by drawing upon other deposit funds. The book balance at the credit of the State Life Insurance Fund

on that date will approximately stand at 44 lakhs, the Cauvery Power Depreciation Fund at 53 lakhs and the Famine Insurance Reserve at 32 lakhs, if no demand is necessary on any of these funds in the meantime. A part of the aggregate balance of some of these and other ~~de-posit~~ deposit funds at the disposal of Government such as Savings Bank Deposits will however, be required to be utilized for working the treasuries during the years when Government balance will be low. And in some years the Government balance will be negative i,e,besides drawing on the debt head balances for the whole of the working balance something in addition will have been spent from them.

(3)

20. In the above observations the point of time with reference to which the calculations are made is 1st July 1922 i,e, the financial situation is worked out for a date three ~~year~~ years after the completion of the programme in question. This has been done in view of the possibility of the railway programme being

being ~~offered~~ spread over a large number of years referred to in para 2 of the Public Work Secretaries letter of the 7th March 1912 and in the concluding paragraph of this note. Another object of selecting this point of time is to show the rate of recuperation of the finances after this heavy programme. It is easy however from the data given above to calculate the situation at the end of any year. For example if we want to know how the financial situation would stand at the completion of the programme in 1918-1919, we see that on the lines of calculation adopted in para 18 the Government balance, not taking the extra revenue into account works up to 64 + 8 - 130 -3 or -61 lakhs. As the extra revenue up to the year 1918-19 inclusive in the statement in para 11 is 51 lakhs, the Government balance on 1st July 1919 works out to -10 lakhs.

21. To shew at a glance the financial situation during any year, the result of the financial operations on the Government balance as sketched above is worked out below in detail.

	Opening balance	Add	Total	Deduct	Closing balance
1911-12	131	1	132	3) 10)	119
1912-13	119	1	120	44	76
1913-14	76	4	80	40	40
1914-15	40	5	45	35	10
1915-16	10	12	22	18	4
1916-17	4	12	16	20	-4
1917-18	-4	12	8	15	-7
1918-19	-7	12	5	15	-10
1919-20	-10	12	2	--	2
1920-21	2	12	14	--	14
1921-22	14	11	25		25

It will be seen from this statement that the period of greatest depression will be the years 1916-17 to 1918-19 during which the Government balance will be actually negative.

22. Taking the year of greatest depression Viz., 1918-19 as example when the Government balance will be - 10 lakhs, let us see to what extent we may be supposed to have drawn on the several funds with a view to find out whether the position will be safe. In that year the drawal on the deposit funds for Government purposes will have reached the figure 85 lakhs. The balances of the several funds will in that year be as shewn below:-

Savings Bank Deposits - - - - - 68 lakhs
Cauvery Power Depreciation Fund 44 lakhs
State Insurance Fund - - - - - 38 lakhs

It will thus be seen that about half the ~~Sa~~ Savings Bank Deposit, half the Cauvery Power Depreciation Fund and about two-thirds of ~~th~~ the Insurance Fund balance will have been utilized by that year for Government purposes. After the year 1918-19, however, the situation will begin to improve and these funds will be gradually restored year by year. If we may calculate on a surplus of about 10 lakhs from 1922-23 onwards it will take about 4 or 5 years for the Government balance to rise to 75 lakhs i,e,the amount required for working the treasuries without depending on ~~debit~~ debt head balances.

23. It will thus be seen that the financing of the two programmes is possible out of the cash and invested balances but not without imposing a great strain on the finances of the State. During the years that the works will go on and for some years afterwards the financial capacity of the State to combat a

calamity like a wide spread famine will be very limited. Under these circumstances the financial situation will be one requiring anxious and constant attention. If simultaneous demands of large magnitude arise under more than one of the heads from which funds would have been drawn to a large extent great embarrassment and difficulty may arise which may necessitate recourse to extraneous assistance such as the raising of a loan. Such demands are for instance a distress or famine, a run on the Savings Banks, or a break down of the Cauvery plant requiring extensive renewals; and if more than one of such demands have to be met at the same time or if a famine of unusual magnitude befalls the State the situation may become serious. Sale of securities to the extent of 67 lakhs during the years 1912-13 to 1914-15 will be necessary but after that no such sale will be required if seasonal and general conditions are favourable.

(4)

24. The assumptions made and the principles kept in view in this calculation

are these:-

(a) The annual cash accretions to the balances of the Famine Insurance Fund, State Loan Sinking Fund, Cauvery Power Depreciation Fund and the State Life Insurance Fund may be utilized as an arrangement of ways and means. For account purposes the contributions to the respective funds will however continue to be made by ear-marking corresponding portions of the invested Government balance. For some years however a part of the balances of these funds will be utilized for expenditure and also for working the treasuries.

(b) The additional revenue from the Cauvery Reservoir in the several years to be taken at the amounts estimated in the Railway Secretary's D. O. dated 20th March 1912 and that this amount be wholly strictly set apart for expenditure in connection with the programme.

(c) The repayment of the Bikanir loan to commence in 1912-13 and the instalments

expected

expected regularly in the six years ending with 1917-1918.

(d) No abnormal circumstances will occur to create large budget deficits or to add largely to the normal demands on the treasury on account of debt head transactions chiefly under " Savings Banks" and " Loan and Advances".

25. But though the selling of Government securities to the extent mentioned in para 13 is not positively unsound financially it is certainly desirable to avoid such sale if possible. The invested balance has just exceeded the figure of two crores and it would be well if it could be maintained at that figure. Moreover, even if we make special arrangements and spread the period of sale over many months in each year, it is unlikely that we can avoid incurring some loss as we shall have to place ourselves entirely in the hands of bankers and a difference of a few annas in the rate means a pretty large

large sum . It should therefore be the endeavour of Government to try and manage the programme without actual sale of our securities, and if ~~xxxxxxx~~ sale cannot be wholly avoided, with as little sale as possible. This can happen under the following circumstances:-

(a) If the years continue to be as favourable as the years 1909-10 and 1910-11 and if by keeping ~~our~~ expenditure under rigid control and postponing all avoidable items for a few years we can secure a substantial net surplus during each of the years 1912-13 to 1914-15. But as favourable seasonal conditions are entirely a matter of good fortune we cannot count upon ~~xxx~~ having an unbroken series of prosperous years.

(b) If we take steps to withdraw the limits as regards individual Savings Banks Deposits and thus secure an increase in the balance of such deposits which may amount to 15 or 20 lakhs.

(c)

(c) If the Public Works Department curtail its expenditure in other directions for three years and spend only about 20 lakhs a year, thus saving 15 to 20 lakhs.

(d) If it is found possible to extend the Railway programme over 10 years restricting the expenditure during the years 1912-13 to 1914-15 to 15 lakhs, thus postponing an expenditure of about 30 lakhs.

I earnestly hope that Government will do whatever is possible in each of the above directions and if we do our best and Heaven helps us we may perhaps go through the programme without going to market for the sale of our securities.

Comptroller & Financial Sey
Secretary.

A.V.

Statement of assets and Liabilities as they stood on the 1st July 1911.

		In Thousands of Rupees
	Assets	
1	Cash balance in treasuries	1,06,24
2	Surplus investment account	1,66,68
3	Loans and Advances	35,14
4	Other items, such as Departmental balances objection Book Adavances, House building advances &c., ...	11,66
	Total	3,19,72
	Liabilities	
1	Savings Bank Deposits	67,34
2	Mysore Railway Loan of 1882	38
3	4 % Mysore State Loan of 1906-1907	20,00
4	State Life Insurance Fund	21,95
5	Local and other Funds	25,79
6	Deposits including endowments	15,30
7	Cauvery Power Scheme Depreciation Fund .	19,83
8	Other items, such as remittances &c ., .	7,93
9	Famine Insurance	10
	Total	1,88,52
	Government Balance	1,31,20
	Grand Total	3,19,72

Submitted to His Highness.

The accompanying papers relate to the question of the relaxation of the present limit to the amount which may stand in the name of an individual depositor annually and in the aggregate in our Savings Banks.

2. In para 25 of the Comptroller's Ways and Means Note in respect of the Cauvery Reservoir project and Railway programme, 1911-1918, he had indicated the relaxation of the present narrow limit to Savings Bank deposits as one of the ways for finding the cash without recourse to the sale of Government of India Pro Notes for the projects in question.

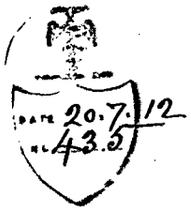
"Draft for approval". 3. At my desire, a draft has been prepared by Mr. Chakravarti making a lucid statement of the case and advancing cogent reasons for the relaxation contemplated. The draft states the case accurately and may meet with a more satisfactory response than our last attempt indicated in our D.O. letter No.2052 dated 20th March 1911.

4. Under present conditions, a large proportion

of the savings of the people is going out of Mysore for want of accommodation for temnorary investment here. The proposed measure will to a great extent arrest the flow. Again, if, in the next few years, the Mysore State have to call for a loan, the proposed course will offer conditions favourable for gradual accumulation in our Savings Banks which would facilitate the loan being subscribed for largely if not entirely within the State itself.

20 July 12

Record of Cases submitted for the Orders of His Highness the Maharaja



Subject.

Proposal to remove the limit to the amount which may be deposited by an individual depositor in the Mysore Government Savings Bank.

94

Order.

Approved

~~KRW~~

26/7/12

Mysore

D.O No. 812/Estbh. 12 Sept 12

To

R. H. Campbell Esqre

Pte Secy.

My dear Sir

I send herewith for your perusal and kind return D.O letter No. S. 145 dated 4th Sept 1912 from the Hon'ble the British Resident in the matter of the Durbar's proposal to withdraw the limitations on Savings Bank deposits

Yours Sincerely

(With your Remarks if any)

D. C. No. 2914

D. O. No. 5145

THE RESIDENT MYSORE

BANGALORE.

4th September 1912.

My dear Dewan Sahib,

I duly received your letter of the 27th July 1912, (D.O. No. 667) and am referring to the Government of India regarding the suggested withdrawal of the limitations on Savings Bank deposits. I shall write again so soon as I get a reply.

In the meantime, I should like to observe that the position appears to have altered materially -- since the Comptroller wrote his Ways and Means Note of the 19th April 1912. In that Note the Comptroller took the cash balance as 88 lakhs and the special expenditure for 1912-13 as 44 lakhs. But the -- Financial Statement and Budget Estimates for 1912-13, which were published in the Darbar's Gazette -- Extraordinary of the 12th August, show that the -- cash balances on the 1st July 1912 amounted -- (practically) to 117 lakhs, while the budget estimates contained provision for special expenditure

of

of 43 lakhs (Kannambadi reservoir 20 lakhs, Tramways in Bangalore 7 lakhs, Cauvery installation 6 lakhs, and Railway construction 10 lakhs), besides including (paragraph 29 of the Statement) a varity of more or less special other grants.

The estimates provide for a surplus of 9½ lakhs on the ordinary account (including the Cauvery Power Scheme), so that, taking the obligatory working balance at 75 lakhs, there is apparently available 42 lakhs from the cash balances plus the surplus of 9½ lakhs, and after providing 43 lakhs for special expenditure, the year 1913-1914 would open with an available cash balance of 8½ lakhs (in addition to the working balance of 75 lakhs), and this without taking any credit for the "assistance" contemplated in paragraphs 11/12 of the Comptroller's Ways and Means Note.

If this is an approximately accurate statement of the present position, I would suggest that the consideration of ways and means after 1912-13 might profitably be postponed till, say,

about

about April next. By that time it seems probable that the Darbar should be able to see their way more clearly in the matter of the Railway programme and also as regards special expenditure on such matters as education and the various schemes connected with industries, which will, presumably, be brought to a head soon after the termination of Mr. Chatterton's deputation.

Perhaps it may also be well to postpone action in regard to Savings Bank deposits; but, as to this, we must in the first place see what the Government of India have to say on the subject.

Row, Esq., C.I.E.,

Dewan of Mysore.

BG

H dis 373

2963

PRIVATE SECRETARY MYSORE

The Palace,
Mysore,
12th September 1912.

My dear Sir,

I return the papers that accompanied your D.O. No.812 dated 12-9-1912.

I would suggest that the Comptroller be instructed to prepare and keep ready a draft reply to Sir High Daly's letter and that meantime we may await the decision of the Government of India on our proposal to abolish the limit for Savings Banks Deposits.

Yours sincerely,

Ananda Rao, Esq., C.I.E.,
Dewan of Mysore,
Mysore.

DO P.922/Enclo

Bangalore
October 1

R.H. Campbell Esq/

My dear Sir

As desired in
your D.O. No 125
dated 12th Septem-
-ber 1912, I send herewith for
His Highness' approval
or other orders, the
draft of a D.O. reply
to the Hon'ble Col.
Sir Hugh Daly in
the matter of the
withdrawal of the
limitations on Mysore
Government Savings
Bank deposits -

Yours Sincerely

D. O. No. 964

Mysore
12 October 12

(Draft D.O.)

My dear Sir,

I am obliged to you for your kind letter of the 4th September 1912 regarding the question of withdrawing the limitations on Mysore Government Savings Bank Deposits. I have no doubt that with your kind support the Durbar will receive a favourable decision.

2 The financial position is as stated in paragraphs 2 & 3 of your letter. If the Budget Estimates of receipt and expenditure for 1912-13 are approximately realized, the year 1913-14 may be expected to open with a cash balance higher than 75 lakhs. Not taking into account ~~for the present~~ the effect on the cash balance of debt head transactions, the excess over 75 lakhs may be taken for our present calculations to be 8½ lakhs as worked out in your letter.

3. I would, however, point out that the opening balance of 75 lakhs is sufficient only in respect of an ordinary year

3798/4.1012

Draft D.O. reply submitted to Dewan for approval as per orders on Mr Campbell's D.O. dated 12.9.12 below.

M
2/10/12

3/10/12

year. The year 1913-14 is likely to be an exceptional year with 30 to 40 lakhs of special expenditure on the Kannambady Project and Railway construction and about two-thirds of this special sum may be required during the first eight months of the year i.e. before the revenue begins to flow in. To avoid embarrassment, therefore, the opening cash balance of 1913-14 should be 20 to 25 lakhs in excess of the normal sum of 75 lakhs---an excess of 8½ lakhs will not be sufficient.

4. Then again, the flow of money into the Government Savings Banks on the withdrawal of limits must be a slow process. Economic forces operate slowly in India and it will probably be some months before the people realize the change in the rules and take advantage of it.

For these reasons, if the possibility of sale of large amounts of Government of India Securities during 1913-14 is to be minimized, it appears

appears desirable to remove the limits on Savings Banks Deposits as early as practicable. I, therefore, hope that if the Government of India be pleased to give a favourable decision you will kindly see your way to approve of Savings Banks Rules being revised at once without waiting till April next. The details may not be exactly known but there is no doubt that the Budget for 1913-14 will contain provisions for a large amount of special expenditure.

Yours sincerely,

The Hon'ble Col. Sir Hugh Daly,
K.C.I.E.,C.S.I.,

RESIDENT IN MYSORE.

D.O.No. 964

Mysore,

12th October 1912.

My dear Sir,

I am obliged to you for your kind letter of the 4th September 1912 regarding the question of withdrawing the limitations on Mysore Government Savings Bank Deposits. I have no doubt that with your kind support the Durbar will receive a favourable decision.

2. The financial position is as stated in paragraphs 2 and 3 of your letter. If the Budget Estimates of receipt and expenditure for 1912-13 are approximately realized, the year 1913-14 may be expected to open with a cash balance higher than 75 lakhs. Not taking into account the effect on the cash balance of debt head transactions, the excess over 75 lakhs may be taken for our present calculations to be 8½ lakhs as worked out in your letter.

3. I would, however, point out that the opening balance of 75 lakhs is sufficient only in respect of an ordinary year. The year 1913-14 is likely to be an exceptional year with 30 to 40 lakhs of special expenditure on the Kannambady Project and Railway construction, and about two-thirds of this special sum may be required during the first eight months of the year, i.e.

before the revenue begins to flow in. To avoid embarrassment, therefore, the opening cash balance of 1913-14 should be 20 to 25 lakhs in excess of the normal sum of 75 lakhs -- an excess of 8½ lakhs will not be sufficient.

4. Then again, the flow of money into the Government Savings Banks on the withdrawal of limits must be a slow process. Economic forces operate slowly in Mysore and it will probably be some months before people realize the change in the rules and take advantage of it.

5. For these reasons, if the possibility of sale of large amounts of Government of India Securities during 1913-14 is to be minimized, it appears desirable to remove the limits on Savings Banks Deposits as early as practicable. I, therefore, hope that if the Government of India be pleased to give a favourable decision, you will kindly see your way to approve of Savings Banks Rules being revised at once without waiting till April next. The details may not be exactly known but there is no doubt that the Budget for 1913-14 will contain provisions for a large amount of special expenditure.

Yours Sincerely
Sd/- T. Ananda Rao

The Hon'ble
Col. Sir Hugh Daly K.C.I.E., C.S.I.,
Resident in Mysore.

See last page

D. O. No. F. 1089

DO No. 158
F. 118 File

PRIVATE SECRETARY MYSORE

Mysore,

12th October 1912

My dear Sir,

I am directed to convey His Highness' approval of the draft letter to the Residency which accompanied your D.O.No.922 dated 6th October.

I return the accompanying papers.

Yours sincerely,

T.Ananda Rao, Esq.,C.I.E.,

Dewan of Mysore,

Mysore.

'W

Please arrange for the print of this 2 sheet to Kelly

Thx
Rob

G.R.S. 13]

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

Subject.

Copy of Residency letter stating that there is no objection to the proposal of the Barbar to withdraw the existing limitations on the amounts of deposits in the Savings Banks under certain conditions, is submitted to the Dewan

12/10/12 Registrar G.P.S.

N.B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

GPB—25,000—11-11-11

No. 5957.

From

P.B. Warburton, Esq., I.C.S.,

First Assistant to the Resident in Mysore.

To

The Dewan of Mysore.

Dated Bangalore, 11th October 1912.

Sir,

I am directed to sta[illegible] no objection to the proposal of the Darbar to withdraw the existing limitations on the amounts of deposits in their Savings Banks provided that a reserve in Government paper ~~in~~ equal to a minimum of half the amount of the deposits is maintained by the State; this reserve being kept unimpaired and subject to the conditions (1) that it is not drawn on for other purposes or hypothecated to provide for a special call and (2) that it is not reduced by the expedient of converting a portion of the deposits into State debentures or fixed deposits, since this would be equivalent to converting a portion of the cover against the deposits into "securities of the Government which holds the deposits"

I have the honor to be,

Sir,

Your most obedient servant.

Sd/- P.B. Warburton,

First Assistant Resident.

"C O P Y"

Registrar, Genl. & Rev. Sectt.

B.V.

Submitted to His Highness.

I submit for information, copy of Residency letter No.5957 dated 11th October 1912, stating that the Government of India have no objection to the proposal of the Durbar to withdraw the existing limitations on the amounts of deposits in the Savings Bank subject to certain conditions.

10/12

T Ananda Rao
Dewan

Record of Cases submitted for the Orders of His Highness the Maharaja

Subject.

Copy of Residency letter of 11th October 1912 agreeing to the proposed withdrawal of the existing limits on Savings Bank Deposits.

345

Order.

~~KRW~~

16/10/12

F. Lees
18 Oct 12

Lefroy
Draft

Mr. Lees
Please go through previous papers
& put up a draft
Lefroy Immediate 17/10/12
Call for Bank's Account
Retrenchment Committee Report
Precautionary Telegraph Letter

Z.1145.

C. No. 120

Mysore

23rd October 1912.

My dear Dewan Sahib

With reference to your D. O. letter No. 964, dated the 12th October 1912, I am desired to invite a reference to my official letter No. 5957 dated the 11th October 1912, conveying the orders of the Government of India permitting the withdrawal of the existing limitations on the amounts of deposits in Mysore Savings Banks, and to say that the Resident has no objection to the Savings Banks Rules being revised at once.

Yours Sincerely

To

T. Ananda Row, Esq., C.I.E.,

Dewan of Mysore.

G.R.S. 13]

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

Subd 4 Financial Secretary

Mr Dewar desires that the draft of the Govt order withdrawing the existing limitations on the amounts of deposits in the Mysore Savings Banks may kindly be sent to him at an early date

Yours sincerely
Under Secy

26.10.12

be written on small slips, the notes must be copied, or slips pasted on this form.

GPB—30,000—23-2-11

D 1257

C. R. S. 12]

General and Revenue Secretariat.

F. File No. 354 of 1910.

Serial No.

1

From the H. A. Resident
No: 5957 dt 11-10-12
states that the Govt: of India have no objection to the proposal of the Durbar to withdraw the existing limitations on the amounts of deposits in their Savings Banks under certain conditions

Submd.

The connected papers are now in the Demands office. May this be sent there?

3974
16.10.12

Wd 5
25-10-12.

Abn

To Fin Secy in entry

Abn

Ad Secy Fin

(a) For draft notification

(b) For draft to Residency stating that until the deposits exceed 100 lakhs 8pt from note for 50 lakhs Rs. — 8 will be regarded as the reserve

M
22/10.

Subd

(a) Draft notification is in the file. The date from which it has

Draft Encl

Flag N.

NOTE—Contn. sheet.

GPB—65,000—17-8-12.

Serial No.

take effect will have to be altered ;

(b) Draft to Residency is put up

BBR
27/10/12 the date from which the new rules shall come into operation will be from the date of publication in the Gazette.

If the draft may be approved

27.10.12

M
28/10/12

4074
28.10.12

Dewan)

Rate approved

27.10.12

28/10

27.10.12

ab HB 2 To The First Asstt to the Hon'ble Resident in Mysore
No. C. 214 dy 29.10.'12

Requests that the thumbs of the Dunbar may be conveyed to Hyd and states that until the Deposits exceed 100 lakhs, one note in the special form of the value of 50 lakhs (No. 119136) will be kept separate as reserve under

NOTE—Contn. sheet.

GPB—65,000—17-6-12.

R. S. 12]

General and Revenue Secretariat. | File No. of 191

Serial No.	
	under the conditions mentioned in Sl. 1
	No. 215. dt 29.10.12
	To the Comptroller
	For copy of Sl. 2.
3	To the Compiler, Mysore Gazette
	No. C 207 dt 29.10.12
	For publication the Mysore Gazette, Notification directing that the annual limit of Rs 2000/- and the aggregate limit of Rs 5000 prescribed in the Savings Banks Rules published with the Notn dt 15th August 1908 be abrogated with effect from the date of publication of this notn in the Gazette and that deposits be received without any limit at 3½% interest as heretofore.

NOTE—Contn. sheet.

GPB—65,000—17-6-12.

General and Rev

Camp Rupsore

30th October 1912

Mr Krishna Rao

In connection with the withdrawal of the limitations on the amounts of deposits in the Savings Banks one note in the Special form of the value of 50 tolahs has to be kept separate as reserve I would request you to kindly ~~quote~~ have the no of one note

D.O. Cs. 115-E

GOVERNMENT OF MYSORE

Comptroller's Office,

Bangalore 31st October 1912.

My dear Mr. Lakshmi Narasimha Rao,

Your D.O. letter dated 30th instant to hand. I ap end a list of the Nos. and nominal values of Notes of the special form held by us. None of them in particular has so far been considered as ear marked as the Savings Bank Deposit reserve.

Yours sincerely,

T. Lakshmi Narasimha Rao, Esq., B.A., B.L.

S.N.
31.10.12

G.R.S. 13|

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

Submitted

The D.O. from Mr. M. N. Krishna Rao quoting Nos of the Govt. Securities is herewith put up. It is requested the Nos of the Govt. paper to be ~~recorded~~ kept earmarked may kindly be noted. The fair copy is ready for the Fin. Secretary's signature

B/Vb

1/11/12

N. B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

GPB—35,000—21-4-09

SUBJECT. - What would be the effect of taking away the limit in respect of Savings Bank Deposits and what amount would thus be available for use on productive works, without resorting to the expediency of raising a loan.

It is unfortunate that annual statements prior to 1896-97 are not available in the Comptroller's office. The accompanying statement shows the total amounts deposited and withdrawn and the balance remaining both in the aggregate and of accounts having more than Rs.5,000 at credit and those of ordinary accounts ~~xx~~ with less than that amount from the year 1896-97 to 1909-10 ~~viz.~~ i.e., for the space of 13 years. The limit was withdrawn in 1898-99 and was re-imposed in 1905-6 and the statement therefore gives figures

figures for three years prior to the abrogation of the limit and 5 years subsequent to its re-imposition. In the absence of figures for earlier years, the available figures have to be taken as furnishing the material for tracing the course of the balances.

It will be seen that even before the limit was withdrawn there were some accounts having more than ₹5,000 at credit but these were exceptional & the balance in 1898-99 was only 8½ lakhs as under the then existing rules balances exceeding ₹5,000 carried no interest whatever. From 1898 onwards the figures under the head "Accounts of over ₹5,000" show a rapid rise till out of a total of 95 lakhs in 1905-6, 49 lakhs belonged to deposits with more than ₹5,000 at their credi

It is also seen that since the r imposition of the limit and the with-drawal of 20 lakhs towards the C.P.S.

loan

loan the remaining balance has not shown any rapid downward course but is steadily falling by about 2 lakhs on an average. If the falling off in these accounts were not compensated by a rise in the ordinary accounts it could be inferred that these richer depositors were withdrawing. It will however be seen that against an average increase of one lakh under natural circumstances prior to the re-imposition of limit, the increase under ordinary accounts has been 3 to 4 lakhs and as the seasons were not propitious the net rise in this class of deposits can only be explained by these richer depositors subdividing their accounts into smaller ones within the limits in the names of the various members of their families. It may roughly be guaged that only 6 lakhs beyond the 20 lakhs have been really withdrawn and 8 lakhs have only changed classification.

The balance at the end of 1909-10 is 68 lakhs of which 14 lakhs is of the richer deposits and 54 of the ordinary but as stated above the 54 lakhs contains at least 8 lakhs belonging to the richer depositors subdivided into smaller accounts.

At present therefore taking 22 lakhs as belonging to the richer depositors who are not likely to call for their money, and out of 44 lakhs ~~against~~ ~~which~~ if 14 lakhs be kept to meet calls 30 Calls Cover the safe & Suitable other purposes & the 52 lakhs can be utilized for outlay on works of productive nature.

If the limit of Rs.5,000 is rescinded there seems to be every hope owing to the failure of Arbuthnot & Co and the depreciation of the Government of India paper, that people will readily invest their ~~money~~ savings in a Government Bank. The existence of the prohibition to have more than ~~₹~~ 5,000 has driven such men to invest their

moneys

moneys in fixed deposits in the Presidency Banks whose private deposit figures show enormous amounts. It may be asked why if there is surplus cash ready for investment it does not come into the Savings Bank. The reason is that in the first place no accounts can be opened for more than ₹5,000 and people do not for obvious reasons like to have multiple accounts (probably fictitious.) If the limit is withdrawn there seems to be every possibility of getting at least 30 lakhs without trouble.

The trade conditions cannot be said to be in any way different from what they were during 1898 to 1906; on the contrary, the money market shows signs of shrinkage owing to the reluctance of money lenders to lend out freely and the institution of Co-operative societies, at all events, in the urban centres, and the transactions of the Central Bank have still further

had

had the effect of making the professional money lender either to close his business or lower his rate of interest which he is slow to do and so lose his custom. These societies too have been able to command public confidence and get fixed deposits for one year - in one instance ₹15,000 - at a rate of 5 per cent per annum.

This shows that money is available for deposit and where there is security men will necessarily hasten to deposit their moneys(the greater the safety the less the rate of interest depositors will be satisfied with) and if Government abrogates the limit there seems to be no reason why we should not meet with a ready response on the part of the would-be investors.

As for the question what amount of money can be safely met by such means it has to be stated that

present 14 lakhs are still in the need of accounts of over Rs.5,000 and 8 lakhs transferred to the next lower class. If the limit is abrogated this 8 lakhs will again be consolidated and as estimated above we will have 52 lakhs of this class and 44 lakhs of the other class. Now practically the whole of the 52 lakhs may be utilized without much fear of their being called up while if one-third of 44 or 15 lakhs is left as reserve for meeting calls the remaining 29 lakhs may safely be used. Thus in all 52 + 29 or 81 lakhs would be available. Even with a more cautious reserve it may safely be stated that 60 lakhs which is Say the sum required to build the Arsikere-Hassan-Mysore chord line can safely be utilized for that purpose from the Savings Bank deposits.

× A more cautious reserve than the standard 1/3 is necessary as the average withdrawals have been 2 lakhs. To utilise 60 lakhs against an anticipated deposit of 296 lakhs would not be dangerous.

The withdrawals under the Recurring and the ordinary deposits are striking. While in the ordinary class the withdrawals are in the majority of cases more than the deposits the reverse is the case with the Recurring deposits which again proves that they are practically fixed deposits.

STATEMENT OF SAVINGS

Year	Total transactions			Transactions of accoun Rs.5,000	
	Deposits	Withdrawals	Balance	Deposits	
1896-97	14,98,561	15,11,167	30,08,866	1,67,426	
1897-98	16,24,261	16,20,586	31,03,629	1,01,445	
1898-99	20,56,472	14,46,620	38,15,511	2,64,694	
1899-1900	26,08,985	19,40,590	46,16,907	7,13,922	
1900-01	26,18,748	23,26,475	51,19,415	6,97,339	
1901-02	29,97,690	23,02,952	59,88,869	8,96,265	
1902-03	37,92,138	26,22,297	73,63,529	12,98,428	
1903-04	33,97,709	31,12,841	78,7 ,991	9,01,7 7	
1904-05	41,39,359	33,62,322	89,15,944	14,64,137	
1905-06	39,90,423	36,57,7 2	95,34,191	12,30,071	
1906-07	27,7 ,319	55,57,898	69,25,300	1,87,044	
1907-08	30,18,713	28,58,659	73,91,599	55, 041	
1908-09	25,83,287	29,65,700	71,83,884	69,550	
1909-10	21,70,577	27,55,619	67,98,460	40,936	

BANK TRANSACTIONS.

of more than		Transactions of accounts of less than Rs.5,000.		
Withdrawal	Balance	Deposits	Withdrawal	Balance.
50,234	5,72,840	13,31,135	14,60,933	24,36,026
22,953	5,57,100	15,22,816	15,97,633	25,46,529
23,833	8,55,815	17,91,778	14,22,767	29,59,696
1,02,811	14,39,842	18,95,063	18,37,779	31,77,065
1,05,790	19,14,555	19,21,409	22,22,688	32,04,860
2,26,897	25,79,656	21,01,425	20,76,055	34,09,213
3,58,416	35,31,207	24,93,710	22,63,881	38,32,322
4,77,305	37,28,450	24,95,922	26,35,536	41,50,541
5,69,691	42,25,770	26,75,222	27,92,631	46,90,174
5,95,725	48,91,511	27,60,352	30,62,057	46,42,680
13,54,649	19,98,579	25,91,275	42,03,249	49,86,721
60,692	18,20,329	29,63,672	27,97,967	55,71,270
63,252	16,40,975	25,13,737	29,02,448	55,42,909
55343	14,41,314	21,29,641	27,00,276	53,57,146

List of Government of India Pro: notes (in special form)
held in the name of the Dewan of Mysore.

No. of note	Per cent.	Loan of.	Amount.	Total.
119133	3½	1900–01	10,00,000	
119134	"	"	5,00,000	
119135	"	"	10,00,000	
119136	"	"	50,00,000	
132635	"	"	50,00,000	
145377	"	"	10,00,000	
145378	"	"	10,00,000	
145379	"	"	10,00,000	
145380	"	"	1,00,000	
145381	"	"	1,00,000	
147416	"	"	5,00,000	
147417	"	"	50,000	
147418	"	"	10,00,000	
147419	"	"	2,00,000	
244414	"	1865	5,00,000	
244413	"	"	50,000	
				180,00,00

No 119136 has been marked
as reserve on account of S.B. deposits

T. M. V

Serial No.

My opinion has been recorded and file sent to Bombay. Copy of my note is herewith submitted for the Dewan's information MMC

Challakere 12/2/11

"I entertain some misgivings regarding the effect of the proposed abrogation of all limits to Savings Bank deposits. The question is will it attract such a large increase in deposits as can be converted into a loan for the execution of highly remunerative public works. The circumstances in 1899 were different. That dread scourge, the plague, had put in its appearance, the social and commercial life of the people had become disorganized; people were fleeing from their homes; credit had come to a stand still; and the people did not know where to put their valuables & hard cash. Government came to their rescue and abolished the limit to individual

Serial No.

and aggregate deposits. This met a real public want and money flowed into the Savings Bank though not to the extent anticipated by Government. Mr. Majumdar calculated in his note of 12th July 1907 that the annual contributions to deposits consequent on the withdrawal of all restrictions did not exceed 3·44 lakhs*. Under the most favourable circumstances we cannot expect a large addition to the deposits. The investor can now get better return for his money in various ways. Plague has lost its terror. Credit has resumed its normal tone. 8 a 10 per cent can be easily got on good security. It seems to me therefore that by the withdrawal of the restrictions large deposits will not be attracted to the Savings Bank. As pointed out by Mr. Majumdar the character of the Savings Bank will be entirely changed into a Government Bank for the receipt of unlimited deposits. What was intended as an incentive

* in a period of 8 years.

Serial No.

to thrift to poor people will be converted into a means of inducing rich people to deposit all their spare money, bearing interest at 3½% and payable at call. In these days of increased commercial activity money is in great circulation and people cannot afford to lock up their spare cash in Savings Bank for an indefinite ~~period~~ time. The only inducement to resort to Savings Bank is that the money would be available at call. Government will be obliged to keep ⅔ of the deposits in liquid investments to be able to meet the demand at call.

From the above remarks it will be seen that there appear to be fundamental objections to the course proposed. If there is no financial unsoundness in the scheme, I shall have no objection to the withdrawal of the restriction as a tentative measure and watching its effect.

(Sd) K. P. Puttanna Chetty
First Councillor.

Camp Challakere
12 Feb: 1911

Copy"

Note—Contn. sheet.

Sig (Sd).

GRB—50,000—12-8-10

G.R.S. 28.]

File No.

Serial No.

*Diary No. of letter replied to*_____

Proceedings of the Government of His Highness the Maharaja of Mysore.

GENERAL AND REVENUE SECRETARIAT.

( )

the 19

Date of issue_____

Signed by_____

READ—

The following Rule issued in respect of Govt Savings Banks in Notification No: 1510-Gl H 280-04-38, dated 15th August 1906:—

" IV Without the sanction

~~ORDER THEREON.~~ No.

of the Comptroller, no account will be opened for less than one rupee and no person may deposit more than two thousand rupees in all between any 1st of July and the 30th June next following.

over

SUBJECT.

GPB—5,000—7-5-09

The total amount which depositor may have at his credit at any time, exclusive of interest for the current year should not also exceed five thousand rupees.

Order thereon:—

The Government are pleased to direct that the annual limit of Rs 2000 and the aggregate limit of Rs 5000 prescribed in the above Rule be abolished until further notice, and that in future deposits be received until further orders without any limitation as to amount. The rate of interest will remain as heretofore, viz, 3½ per Cent per annum. This order will have force on and after the 18th April 1911 ~~be enforced with effect from ~~ -1911, and~~ A. The following notification this effect should also

G. R. S. 27]

GENERAL AND REVENUE SECRETARIAT.

(*Continuation Sheet draft form*).

Title
Deleted

mrd
12/2/11

will be published in the Mysore Gazette.

To Financial Secy to Govt
4.2.11
The Comptroller to Govt
Dy Comrs of Dists.

Genl & Rev secretariat
Dated 1911

Notification

The Govt of His Highness the Maharaja of Mysore are pleased to direct that the annual limit of Rs 2000 and the aggregate limit of Rs 5000 prescribed in Rule IV of the Savings Bank Rules published under Govt Notifn No: 1510-Gl H 280-04-38 dated 15th August 1906, be ~~abrogated~~ with effect from 1st April 1911, and that in future deposits ~~bite~~ be received ~~until further orders~~ without any limitation as to amount, the rate of interest, ~~viz~~, ~~3½ Rs per Cent per annum.~~

GPB—500—8-5-09

Remains as heretofore at 3 1/8 per cent per annum -

By Order

Financial Secy

12.11

Hov 86

4-2-11

12/2/11

12/2/11

G.R.S. 13]

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

The accompanying file with the latest DO reply received to the Resident in the matter of the withdrawal of limitations on Bank of Savings deposits is forwarded to the Financial Secretary for perusal & kind return —

13. 10. 12 Mysore

Thanks

19/10

N B—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

GPB—80,000—23-2-11

G. R. S. 26]

File No.

Serial No.

Diary No. of letter replied to

No.

General and Revenue Secretariat

( )

, the *191* .

~~To~~

My dear Sir,

Date of issue

Signed by

Now that the work on the Cauvery Reservoir project is actively progressing, I have to invite reference to the Correspondence which took place ~~which took~~ ~~place~~ ending with Mr Warburton's letter No 2101-D 5/April/1911, in the matter of removing the maximum annual and aggregate limits of Rs 2000, & Rs 5000

over.

SUBJECT.

posed on Savings Bank accounts
the State in the year 1906.

In the letter referred to above
I were ~~kind enough to say~~
the present financial condition
Mysore (with a fort balance of
a sum of Rs. 1,81,20,000 invested
Govt of India Securities and adequate
vision for repayment of all Savings Bank
sits was very much different from
that of 1906 when owing to the small
balance and the undesirability
having large Savings Bank
posits repayable at call without
dequate provision for repayment
was considered necessary to impose
maximum limits on the Savings Bank
Accounts in order to reduce the
aggregate amount of deposits. But
You feel doubtful of the advisability
of the present measure which in your opinion
involved a deliberate departure
from the policy laid down in 1906 and
from the ~~reasons~~ underlying

it was observed
(1) that the present proposal was a departure from the policy of 1906
(2) that it represented a deliberate attempt to inflate deposits to an extent which would permit the Government to utilize the money for the financing of a fort project and (3) that it was doubtful whether it was legitimate to utilize the Savings Bank deposits for purposes for which they were not primarily intended

It was also suggested that the Government might consider the feasibility of financing the scheme by more ordinary methods such as the issue of debentures.

List of enclosures.

Copied by

Examined by

GPB—25,000—8-3-11.

G.R.S. 27]

GENERAL AND REVENUE SECRETARIAT.

(Continuation sheet draft form.)

principle of the Savings Bank System and you were pleased to suggest that the Durbar might have recourse to ~~Government~~ debentures for which there could be no objection

~~The matter had been considered~~ very fully before I wrote my D. O but I waited till work on the Cauvery Reservoir project was actually begun before replying to yours of

At the very outset I would make it clear that adequate provision will be made by the Durbar for the repayment of the Savings Bank deposit

At present as a provision against such Savings Bank deposits amounting to ~~67,34,000~~ we have Govt of India Securities of a like value. With the removal of the limits it is expected that there will be

~~There three points important aspects of the case have been very fully considered by the Durbar and I shall presently state their views in respect of each. But in order that the relation of the proposal made to the financing of the Cauvery Reservoir Scheme may be clearly explained I have thought it necessary to invite your attention to the ways & means note of Mysore on the subject a printed copy of which is sent herewith.~~

~~These three important aspects of the case have been fully considered by the Durbar and I shall now state their views in respect of each of them. But before doing so a few words of explanation about the financing of the Reservoir Scheme will perhaps be useful.~~

~~3. In the first place I would point out that in connection with the financing of the Cauvery Reservoir project has to be considered from two distinct points of view. In the first place the subject has to be considered as to how far the existing resources of the State will be adequate to meet the demands for the work and how far these resources will have to be supplemented by help with reference to the financial position & capacity of the State. It has to be found out whether the State has surplus assets in cash, securities & debts due to an extent which~~

an increase in deposits of about 20 lakhs (inclusive of the small annual accretions which may take place under the existing rule) by the Year 1918-19 at which time our Govt balance is expected to reach its lowest point. The value of the Govt of India securities retained at that time as a provision against the 68+20 lakhs of deposits would be 57. i.e more than 50%. and I may add more than what is provided by any other fort.

I admit that Savings Banks are solely intended to encourage thrift among poor depositors in the peculiar Conditions of the Mysore State this principle need not be enforced rule cannot be applied rigidly and that the Govt of India insisted on the imposition of the limits in 1907 not so much on account of this abstract principle as on account of

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enables it to undertake the expenditure under consideration without rendering the financial situation unsatisfactory. In the second place it has to be seen as to how the cash required from year to year is to be found. For though the financial situation may be strong enough to enable the State to safely undertake the work, the actual financing may [illegible] of a part of the investments of the State into cash or some equivalent financial [illegible] Under such circumstances I. P. 18 Govt may have to take steps to place themselves in possession of more cash e.g. by selling securities, inducing more deposits &c.

4. It may here be explained that the two sides of the question referred to above, which may for convenience be called the resource aspect and the cash aspects respectively are, to a great extent, independent of one another. The first I may be allowed to say that resource aspect may be very satisfactory but owing to the bulk of the extra cash with Govt being invested there may be very little cash. On the other hand if all deposits &c in the hands of Govt were reduced to cash, the cash position from Mr Monk-Mason's letter No 440 of 3/9/03 page 3 would be easy but the resource aspect may transpose the boundary

Yours sincerely

G.R.S. 27] (Vide page 8 of volume I)

GENERAL AND REVENUE SECRETARIAT.

(Continuation sheet draft form.)

5. Now so far as the revenue aspect of the question is concerned a reference to the statement of cash Assets & liabilities of the State ~~attached hereto~~ will show that after making full ~~provision~~ allowance for all the liabilities of the State there is an extra ~~cash~~ balance in favour of the ~~State~~ to the extent of 131 lakhs ~~During the next three or four years this balance general financial position there~~ would in ordinary course increase by 50 or 60 lakhs. As regards the financial capacity of the State to undertake the work ~~this much~~ which is estimated ~~to~~ cost about 89 lakhs there need ~~be~~ no apprehension.

6. As regards the cash aspect however, it has to be pointed out that ~~the~~ only ~~greater~~ part of the balance as is kept over ~~and~~ above for working the ~~cash~~ ~~position~~ money ~~of the~~ in excess of ordinary requirements is invested in ~~Govt of India~~ securities. The expenditure of a sum of 89 lakhs in the course of three years will ~~therefore~~ involve the sale ~~requisition the selling~~ of a considerable amount these securities if no other means for increasing the amount of cash at the disposal of ~~Govt~~ is resorted to. For various reasons the Durbar are unwilling to throw on the market a large amount of the securities of the Govt of India. ~~such~~ It is to minimise such ~~an eventual~~ sale as far as possible to avoid it although that the proposal to ~~Govt~~ regarding Savings Banks deposit which is now under consideration has been made of the then financial condition of the State and the ~~insufficient~~ provision made for the repayment of the Savings Bank deposits (vide Mr Mayo's Kings Letter) as pointed out above the Govt of India are satisfied that adequate provision is made against the increase in deposits I venture to think that they will not have any insuperable objection to the measure proposed by the Durbar. Moreover there will be no departure from the policy of 1906 as it is the intention to convert the larger deposits into ~~is kept in excess~~ ~~coming into the bank~~ ~~regards~~ a loan as was done in 1906, as soon as a sufficiently large balance has accumulated.

I am very reluctant to enter into a discussion of the theoretical principle that Savings Banks should be used only to encourage thrift and not with any other motive should be rigidly adhered to in our State

or if in its peculiar circumstances it may not be relaxed a bit.

In Countries where banking facilities exist, the surplus money in the hands of the people will be productively employed through the intervention of Banks and the money wanted by Govt for productive public works can be best got by means of a loan, or increasing the permanent debt as it is obviously more advantageous to get money for Public works in this way than by a loan payable at Call. In such Countries measures to make use of Savings Banks for purposes other than the strict purpose of encouraging thrift tend to divert money from the Banks where it will be more profitably employed to the Govt Treasury where it can only be less efficiently employed and which moreover can more conveniently secure the money it wants

7. The Duke expect that by removing the restrictions regarding individual S.B. deposits an additional sum of about 20 Lakhs will flow into the Govt treasuries during the course of the next 3 or 4 years raising the deposits from say 70 to 90 Lakhs. The investments of the State now include Govt of India securities to the extent of 203 Lakhs & it will therefore be seen that the total deposits will be more than covered by investments in the safest & most liquid form. The money will be useful to the Govt as enabling them to avoid the sale of securities as a matter of necessity. After the works are completed the revenue from them will begin to flow in at the rate of 11 or 12 Lakhs per annum and the volume of the deposits may be reduced if necessary by converting a part into a State loan at a slightly higher rate of interest.

8. It will be clear from what has been stated above that there is no intention to sink any considerable sum of Saving Banks deposits and to use those deposits for financing the works in question from the only resource point of view which is really important for financial safety. The increased Savings Banks deposits are not wanted for financing the works being sunk in public works. They are wanted only to relieve cash operations for a few years. Thereafter or relieve the absolutely safe percentage of the S.B. deposits may perhaps be kept to be

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GENERAL AND REVENUE SECRETARIAT.

(*Continuation sheet draft form.*)

held ~~invested~~ in the Govt of India securities & included in the invested balance of Govt.

9. The principal point in the policy ~~which was recognised in~~ 1906 was that ~~the State should not have a~~ in dealing with ~~any large amounts of~~ S. B. deposits repayable at call ~~and it was absolutely~~ obligatory ~~for the State~~ to keep an ~~adequate~~ absolutely safe reserve for all possible demands. ~~It~~ That condition is now satisfied ~~however~~ ~~kept the practice~~ ~~of the reserve may be~~ ~~fixed~~ & will continue to be satisfied even if the present proposals are carried ~~out~~ into effect. It cannot therefore be said that these proposals involve any ~~material~~ departure, so far as financial soundness & safety are concerned, from the policy of 1906.

10. Nor are the present proposals open to the second objection raised to in para 2 ~~above~~ above, for the deposits will not be required except in a very limited sense for financing the work. The work will really be financed from the invested surplus of the State.

11. As regards the third point viz. the possibility of extending the S. B. rules for purposes for which they were not originally intended I would point out that in the absence of proper facilities for safe deposit of money there is real difficulty felt by ~~accept~~ a very large section of the middle classes in arranging for the custody & investment of their savings. The ~~withdrawal~~ important limits in 1906 was a source of serious inconvenience to many of the limits are regarded as a ~~serious~~ ~~hardship~~ ~~by~~ ~~a~~ large number of people. After all the rules are altered as now proposed all have very little money as deposits which cannot properly be ~~kept~~ as Savings. The only difference will be that besides ~~Govt~~ the savings of the

by direct loans. For the above reasons in such Countries the Savings Banks are strictly used for the primary object of encouraging thrift and ~~that~~ circumstances ~~necessitating~~ requiring a relaxation of the principle are entirely absent.

The Case of Mysore is however different. In the absence of banking facilities the surplus money in the hands of the people cannot find a way to be profitably employed in productive works within the State. No doubt a portion of ~~deposits~~ such surplus in the hands of the people finds its way to the Madras Bank or the Govt India securities which are the only available means of investment but would ~~accordingly~~ thus in the long run be employed in productive enterprises in British India without any benefit to our own State.

The absence of banking facilities also makes it difficult for Govt to raise a loan within the State to get at the surplus money of the

the people. It is well known that a system of public debt to be successful must have a ready market which is afforded only by banks. As there is a difficulty of the surplus money of the Mysore public to be profitably employed within the State either by Govt by means of a direct loan or by the public themselves it is considered that in the peculiar Conditions of Mysore the objections to use Savings Banks for drawing money from people which would apply elsewhere would not apply to our State

I believe that it was some such considerations as the above which induced the Govt of India to allow the maximum limits as at (1) Rs 1000 & (2) 5000 while in the Govt of India Postal Savings Banks these are at Rs 200 and five thousand

So far as we are concerned it is all one to us whether we raise an indirect loan in the shape of poorer classes, a portion of the savings of the middle classes also will come in. In the opinion of the Dewan it would be that the middle classes require as much facilities for saving as do the poorer classes and to deny them such facility in the present state of things would be simply driving them to hoarding or to the hands of unsafe village bankers. It is for this reason that in the British Postal Savings Banks the system of connecting S. B. deposits to Govt securities has been introduced — This gives the depositor practically as low a rate of interest for S. B. deposits as is compatible with safety. The rate is in itself an automatic check against a large sums belonging to wealthy persons being deposited in the Savings Banks. It may therefore be said that in withdrawing the limits under the present circumstances of the State there will be no violation to the principles of Savings Banks but only an extension of the same to a class of people for whom such extension is necessary & desirable —

12. The suggestion about raising a loan or debentures has been very carefully considered but it will be clear from what has been stated above that such a course will not be necessary for some years in the present condition of our finances. The Canvery Reservoir project can be financed from the Govt of India if suitable arrangements are made to ease the cash arrangements. The Railways & other works can also be financed from the annual receipts from the new Reservoirs and the surplus in our ordinary accounts due to the working of the mines & the attendant revenues. If for the latter works any use of a portion of our deposits & debt head balances be necessary it will be possible by suitably regulating the programme of expenditure to keep the percentage within absolutely safe limits. The raising of a loan or floating debentures for public works is therefore to be regarded as necessary in our present circumstances

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GENERAL AND REVENUE SECRETARIAT.

(*Continuation sheet draft form.*)

15. For the reasons explained above the Durbar hope that there will be no objection on the part of the Govt of India to approve the issue of a notification on the lines indicated in the draft attached hereto. (Enclosure IV) (Transfer next page)

13. Even if the raising of a loan were found necessary, the attraction of local deposits into the Govt Treasuries in the first place & then conversion of them into a fixed loan on slightly higher interest would be a better way for this State to secure the object in view than entering the open market ~~for such loans~~ for the following reasons:

(1) The money could be obtained from within the State & from the savings of the subjects of the State without the necessity of entering fields operated on by the loan transactions of the Govt of India or of the larger local bodies which borrow extensively.

(2) There will be no chance of failure in the raising of a loan in this way. If ~~loans are~~ attempts are made to raise money in the market by calling for tenders or in other ways we cannot be so sure of success as by this method.

(3) The operations will be carried on quietly from time to time as may be found necessary ~~according to requirements of Govt: if & when necessary in the interests of the State~~. The Savings Banks rate of interest being lower than the interest on loans this will mean a substantial saving to Govt. ~~Savings Banks~~

14. I may here mention that the subject of financing the Cauvery Reservoir Scheme and Railways during the ~~during~~ continuance next seven years has been very carefully studied by the Govt. Officers of the State and a printed copy of the Chakravarthy

Savings Bank deposits or a direct loan as suggested in your last para

But after giving my best Considerations to the matter I am decidedly in favour of the former Course for the following reasons.

(1) We do not want a loan all at once. So far as the financing of the ~~Public~~ Cauvery Reservoir works and Railways goes, our accumulated balance with the increased mining revenue is sufficient to meet the whole of the Capital Expenditure. The loan we want is to ease of the financial situation and aid and strengthen the Cash balances and as the "programme" of expenditure is spread over seven years, a loan spread over the ~~same~~ same period will serve our purpose.

we will be saving the interest which would be otherwise payable on an unnecessary loan

As pointed out above a direct loan cannot be got in the State; an indirect loan in the shape of Savings Bank deposits on the other hand comes entirely from the local public. A direct loan will have to be floated outside the State and will in all probability compete with the loans of the Govt of India, or local bodies. So the indirect loan is more advantageous both to the State and to the Govt of India

A direct loan involves a certain amount of risk. If it is not readily and completely taken up our credit will suffer.

note on the subject is attached hereto for your information (Enclosure 1). Mr. Chakravarti has shown that without creating an unsound financial situation such a large sum as 197 lakhs can be spent by the State on the Canning Reserve & Railway construction during the next seven years. Otherwise in the case of such a very large programme of expenditure within so short a time there will be some strain on the finances for a time. But the recoupment will be very rapid and with a careful attention to the finances, the situation will be never be unsafe. Moreover every endeavour will be made to render the situation so Easy by adopting the measures recommended in para 25 of Mr. Chakravarti's note. The present proposal embodies one of those measures which, entirely commends itself to the Govt of India.

15. [Transfer from last page]

G.R.S. 27]

GENERAL AND REVENUE SECRETARIAT.

(Continuation sheet draft form.)

5 As mentioned above as soon as the aggregate deposits have reached a high figure ~~800-200 Lacs 30 lakhs~~ N. the larger deposits will be converted into a loan as in 1906 so that ultimately the effect is the same as raising a loan but in a gradual manner and entirely from local sources.

Thank ye

Pol no 569 2/12/10/1

No. 5957

FROM

P. B. WARBURTON, ESQ., I. C. S.,
FIRST ASSISTANT TO THE RESIDENT IN MYSORE.

DIARY No. 1357

1910-11 12/13
SECTION G.F
FILE NO. 354-10
SERIAL No. 1

To

The Dewan of Mysore.

*Dated Bangalore, 11th October 1912.

Sir,

I am directed to state that the Government of India have no objection to the proposal of the Darbar to withdraw the existing limitations on the amounts of deposits in their Savings Banks, provided that a reserve in Government paper equal to a minimum of half the amount of the deposits is maintained by the State; this reserve being kept unimpaired and subject to the conditions (1) that it is not drawn on for other purposes or hypothecated to provide for a special call and (2) that it is not reduced by the expedient of converting a portion of the deposits into State debentures or fixed deposits, since this would be equivalent to converting a portion of the cover against the deposits into "securities of the Government which holds the deposits"

I have the honour to be,

Sir,

Your most obedient servant,

P B Warburton.

First Assistant Resident.

R. O 2.—R. P. B.—9-1912.—1,000.

G.R.S. 26]

2 drafts File No. 354-10

Serial No. 2

*Diary No. of letter replied to*_____

No. C 214
Gen Fin

General and Revenue Secretariat
(Genl Fin.)
, *the* 19 .

To

The T. A. Resident in
Mysore.

ssue_____

Signed by_____

Sir,

I acknowledging
~~I am directed to~~

~~acknowledge the~~ receipt of your
letter No. 5957 8 11th Oct 1912
~~acquainting the acceptance of His~~
stating that the G of I have
no objection to the Durbar's
proposal to withdraw the
existing limitations on the
amounts of deposits in their
Savings Banks on certain

over.

SUBJECT.

I am directed to request you will be good enough to
convey to the Government of India the thanks
of the Durbar for their prompt & favourable decision in the matter.

I am to add that until
the deposits exceed 100 Lakhs one Note in the £ form
Govt. paper of the value of 50 Lakhs
(Special Form Note No 119136)
will be kept separate
will be ~~regarded~~ as the reserve
and will be ~~kept unimpaired~~ and
subject to the conditions referred
to in your ~~above~~ letter.

I have &c.,

(Sd)

Fin! Secretary

(Sd)

To

The Secretary
Govt of India

List of enclosures,

C 215

Memo

Copy forwarded to Comptroller
for information.

By Order

(Sd)

For Fin! Secy

Copied by

Examined by

O.N.
No. to be filled up
after reference to
Comptroller's Office

G.R.S. 31]

Fair draft

No. 6 214

Fair

From

J. S. CHAKRAVARTI, Esq., M.A., F.R.A.S.,
Financial Secretary to the Government of
His Highness the Maharaja of Mysore.

To

P.B.Warburton Esquire I.C.S;
First Assistant to the Hon'ble the Resident in Mysore.

Dated Bangalore, the

Sir,

In acknowledging receipt of your letter No.5957 dated 11th October 1912 stating that the Government of India have no objection to the Durbar's proposal to withdraw the existing limitations on the amounts of deposits in their Savings Banks on certain conditions, I am directed to request you to be so good as to convey the thanks of the Durbar to the Government of India for the prompt and favourable decision in the matter.

I am to add that until the deposits exceed 100 lakhs one note in the special form of the value of 50 lakhs (Special form Note No. 119136) will be kept separate as the reserve under the conditions referred to in your letter.

I have the honor to be,
Sir,
Your most obedient servant,

Intd J. S. C

P.T.O

Finl.Secretary to Govt.

Memo No. C215 / Gen Fin

Copy forwarded to Comptroller for information

B-D

Mtd. T.L.

For Emil Seee

27 354-W-3.

2 drafts

2 Copies

Genl. & Rev. Secretariat.

Dated 29th October 1912
Camp Mysore

-: N O T I F I C A T I O N :-

******

Camp No: 207
Gen Fin

The Government of His Highness the Maharaja of Mysore are pleased to direct that the annual limit of Rs.2,000 and the aggregate limit of Rs.5,000 prescribed in Rule IV of the Savings Bank Rules published under Government Notification No.1510/Gl.Fl.280-04-38 dated 15th August 1906, be abrogated with effect from ~~1st April 1911,~~ the date of publication of this order in the Mysore Gazette, and that, in future, deposits be received without any limitation as to amount, the rate of interest remaining as heretofore at 3 1/8 per cent per annum.

29 Oct 12

By order,

28/10

Financial Secretary.